



## **Shire of Lake Grace**

### **Operational Audit and Asset Management System Review Water Licence WL22 (Non-potable and sewerage)**

**Report**  
Economic Regulation Authority  
14 May 2015

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**Limitations of this Report**

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

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

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## 1. Executive Summary

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### 1.1 Background

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

The Shire operates a sewerage scheme for the township of Lake Grace. The scheme was originally commissioned in 1978 with upgrades in 1990 and 2000. The scheme is a septic tank effluent disposal system and includes a gravity reticulation system, four pumping stations, a rising main, a treatment plant (Imhoff tank and waste stabilisation ponds) and an effluent re-use scheme. The scheme provides sewerage services to the town population of approximately 500 people. The scheme collects and treats annually approximately 48,000 m<sup>3</sup> of residential and commercial liquid wastes. Due to concerns about the quality of recycled wastewater, the Shire discontinued the use of treated effluent for irrigation of the town's sports ovals in April 2014.

The Shire is required to comply with the terms and conditions of their licence. There were two versions of the Water Operating License WL22 in force over the audit period - Version 2 (under the previous *Water Licensing Act 1995*) and Version 3 being a "substituted licence" under the *Water Services Act 2012 (WA)* from 18 November 2013. Not less than once in every period of 24 months, the Authority requires an operational audit of compliance with the licence conditions and a review of the asset management system to comply with the licensing requirements of the Authority.

The previous operational audit period was for the period from 1 December 2008 to 30 November 2011.

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

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

### 1.2 Operational Audit

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

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

- a) complied with its licence obligations during the audit period from 1 December 2011 to 30 November 2014 with the exception of:
  - the Shire did not advise the Authority of a material change to the asset management system in respect of the previous EHO leaving the Shire in January 2013 and not being replaced until November 2014 (as required by clause 20.2 of the licence);
  - no evidence was provided by the Shire to prove that 90% of four new connections in 2013/14 were completed within the timeframes required. Therefore, without any evidence to the contrary, this needs to be treated as a non-compliance with the *Water Services Code of Conduct (Customer Service Standards) 2013*.
  - the Shire does not have a written procedure for review of a bill on the customer's request as required under the *Water Services Code of Conduct (Customer Service Standards) 2013*.
  - the Shire's complaints handling procedure in the Compliments and Feedback Brochure does not contain all the information required under the *Water Services Code of Conduct (Customer Service Standards) 2013* and is not publicly available at the Shire's website.

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- some of the “prescribed information” under the *Water Services Code of Conduct (Customer Service Standards) 2013* is not publicly available (enquiry/translator services, powers of access to premises, interruptions to supply, etc.).
  - Compliance and Performance reports are not always submitted by the due dates, there is no Compliance Breach Register and late reports are not being included as non-compliances in the compliance reporting to the Authority.
- b) not implemented any of the 3 recommended actions from the previous audit. The following recommendation had not yet been implemented:
- note in the Compliance Schedule the required timeframes for notification of changes to asset management system to the Authority to ensure regulatory timeframes are met.
  - update the Asset Management Plan – Monitoring and Review Procedures section for the requirement to notify the Authority of any significant changes to the asset management system within 10 business days; and
  - ensure that annual Compliance reports are submitted by the due date.
- c) not maintained an adequate control environment for ongoing compliance due to the lack of staffing and various control weaknesses and non-compliances noted in this report.
- d) maintained the data integrity of reporting to the Authority and the Department of Health apart from the exceptions noted above.

The audit recommended that the Shire:

- ensure that the Authority is notified about any future significant changes to the asset management system within 10 business days and updates the Asset Management Plan for the requirement to notify the Authority within 10 days.
- develop a written procedure for review of bills and make it publicly available on the Shire’s website and in hardcopy;
- update the complaints handling procedure in the Compliments and Feedback Brochure to include the details required by the *Water Services Code of Conduct (Customer Service Standards) 2013* and make it available on the Shire’s website;
- ensure that all future Compliance, Performance Reports and updated post-audit and post-review implementation plans are submitted to the Authority within the timeframes required;
- maintain a Compliance Breach register in respect of the licence;
- ensure the timeliness of connections requirement is complied with and update the Asset Management Plan for the timeliness of connections requirement;
- update the annual “Your Rates Summary Brochure” to provide information on fees and charges associated with each bill payment option offered; on discounts, rebates and concessions that are available to customers; and on services provided by the stipulated in clause 36(1) of the Code; and publish the brochure on the Shire’s website;
- develop and/or update internal procedures with the requirements under the licence in respect of notification of building works, 48 hours’ notice of intention to commence works, decisions under review, compliance notice and consultation with owner, information on compliance notice, actions on persons named in compliance notice, lodgement of memorial, acquiring interest in land, proposal for major works, minimising damage when undertaking works, issuance of compliance notices, under and over charges, and informing the Authority within 10 days of major and general works; and
- develop and implement a Compliance Schedule documenting the compliance activities, responsibilities and due dates.

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### 1.3 Asset Management System Review

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

The assets are as described above with the only significant change since the previous review being the extension of the scheme to a new sub-division of 10 blocks in 2013.

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

- a) not implemented the 2 recommendations from the previous review as follows:
  - develop and test detailed contingency plans for failure of assets and other potential events; and
  - include a record of changes in the Asset Management Plan document; and
- b) not maintained an adequate control environment for ongoing compliance in respect of the asset management system as the controls have generally not been maintained due to changes and gaps in staff resources that have led to:
  - a lack of general maintenance of the assets of the scheme such that the condition of the wastewater treatment plant has deteriorated;
  - no review and update of the Asset Management Plan;
  - no annual assessment of the condition of the assets;
  - planned maintenance does not appear to have been undertaken;
  - no action taken on a partial inspection in 2014;
  - the water re-use scheme is no longer in operation due to safety issues and there has been no report or action on an assessment undertaken by the Department of Health in April 2014 and reported to the Shire in April 2015;
  - the Shire has not maintained adequate records of the Asset Management system; and
  - detailed contingency plans have not been developed and tested.

The review recommended that the Shire:

- review and update the Asset Management Plan including the legislative requirements, changes to the asset register including the new subdivision assets, risk assessment, financial plan and capital expenditure plan;
- review and update the Asset Register to ensure that all assets are documented in the Asset Register accurately and completely and that all required information, including the GPS co-ordinates, is recorded for all asset groups.
- ensure that there are adequate and trained staff resources assigned to operate and maintain the sewerage scheme. This may include engaging an external contractor to perform the planned maintenance activities.
- undertake a condition appraisal of all assets as soon as practicable and record the results of the appraisal in the Asset Condition and Performance Excel spreadsheet.
- prioritise the recommendations set out in the Department of Health's Water Recycling Assessment Report and determine a plan for their implementation commensurate with urgency, risk and practicability. The use of treated effluent for irrigation purposes should not resume until the replacement of the chlorinator and safe water quality sampling results.
- arrange for removal of sludge build up from both treatment ponds to increase their capacity as well as removal of sludge from the Imhoff tank chamber and the bottom of the Imhoff tank and from the sludge drying bed. The eroded treatment banks need to be restored as budgeted for in 2014/15.

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- resume the annual Maintenance Management Plan and ensure that all specified maintenance tasks are carried out and this is recorded in the planned/actual maintenance program spreadsheet.
  - ensure that all Asset Management System documentation, including all future updates of the AMP and the accompanying Excel spreadsheets, is saved on the Shire's server and regularly backed up as part of the standard IT maintenance procedures. The backups should be tested each quarter.
  - review and update the Asset Management Plan every five years and when any significant changes occur. Also review annually the underlying spreadsheets.

Overall, the scheme, apart from the water re-use component, is still in working order and there have been no customer complaints or failures of any assets. However, the Shire has not maintained an effective asset management system over the review period. There needs to be significant improvements in the resourcing and performance of the processes set out in the Asset Management Plan to restore an effective system.

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

**Quantum Management Consulting & Assurance**

Geoff White  
Director

14 May 2015



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## 2. Operational Audit

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### 2.1 Introduction

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

There were two versions of the Water Operating License WL22 in force over the audit period - Version 2 (under the previous *Water Licencing Act 1995*) and Version 3 being a "substituted licence" under the commencement of the *Water Services Act 2012 (WA)* from 18 November 2013.

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

### 2.2 Objectives and Scope

The objective of the audit was to provide an assessment of the effectiveness of measures taken by the licensee to meet the obligations referred to in the Licence.

The audit has applied a risk-based approach to focus on the systems and effectiveness of processes used to ensure compliance with the standards, outputs and outcomes required by the Licence. The approach is set out in a detailed Audit Plan approved by the Authority that was designed to focus on the higher risk areas with less intensive coverage of medium and low risk areas.

The scope of the audit covered the following areas:

- **Process compliance** - the effectiveness of systems and procedures in place throughout the audit period, including the adequacy of internal controls.
- **Outcome compliance** – the actual performance against standards and Codes of Conduct prescribed in the licence throughout the audit period.
- **Output compliance** – the existence of the output from systems and procedures throughout the audit period (that is, proper records exist to provide assurance that procedures are being consistently followed and controls are being maintained);
- **Integrity of reporting** – the completeness and accuracy of the compliance and performance reports provided to the Authority and to other regulatory organisations providing licences to the Shire for the water services.
- **Compliance** with any individual licence conditions – the requirements imposed on the Licensee by the Authority or specific issues advised by the Authority.

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

- **Provision of water services in accordance with the licence** – high inherent risk and Type 1 reporting obligation (obligation 1).
- **Asset Management System** – high inherent risk (obligation 6).
- **Reporting to the Authority** – previous audit noted some delays in annual compliance reporting, an incomplete Compliance Schedule (obligations 165 and 166) and no process to notify major changes in the asset management system (obligation 171).
- **Compliance with the service and performance standards** - area of high inherent risk (obligation 190).

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

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

### **2.3 Audit Compliance and Controls Rating Scale**

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

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

## 2.4 Status of Previous Audit Recommendations

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

Table of Previous Non Compliances and Audit Recommendations				
Reference (no./year)	Compliance rating/ Legislative Obligation/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details of further action required. (Including current recommendation ref. if applicable)
<b>A. Resolved before end of previous audit</b>				
	Nil			
<b>B. Resolved during current audit period</b>				
	Nil			
<b>C. Unresolved at end of current audit period</b>				
01/2011	<b>Operational Audit and Asset Management System Review, Review of Customer Service Charter and Notification of Changes to Asset Management System</b> <i>Compliant - 1</i> <i>Water Services Licensing Act 1995 Clause 16.1, 17.2, 17.3 and Licence condition Schedule 3 Clause 2.6</i> The Shire has developed and implemented the Compliance Deadlines Schedule. However the Schedule does not include all of the regulatory requirements, including: <ul style="list-style-type: none"> <li>• Asset Management System Review due date;</li> <li>• Operational Audit due date;</li> <li>• Review of Customer Service Charter and</li> </ul>	Note the required timeframes for the following in the Compliance Deadlines Schedule to ensure regulatory timeframes are met: <ul style="list-style-type: none"> <li>• Asset Management System Review (external);</li> <li>• Operational Audit (external):</li> <li>• Review of Customer Service Charter; and</li> <li>• Changes to asset management system to be notified to the Authority within 10 business days.</li> </ul>	-	Yes – further action required The Shire's staff was unable to locate the Shire's Compliance Deadlines Schedule that was in place during the previous audit period. Therefore, the Shire has no hardcopy record of compliance activities and due dates to comply with the licence.  <i>Refer recommendation 09/2014</i>

Table of Previous Non Compliances and Audit Recommendations				
Reference (no./year)	Compliance rating/ Legislative Obligation/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details of further action required. (Including current recommendation ref. if applicable)
	<ul style="list-style-type: none"> <li>Notification to the Authority of changes to the asset management system.</li> </ul>			
02/2011	<p><b>Notify Changes to Asset Management System</b>  <i>Compliant - 1</i>  <i>Water Services Licensing Act 1995 Clause 17.2</i></p> <p>The Compliance Deadlines Schedule has been developed and implemented. However, the Schedule does not include the required timeframes for the notification of the asset management system changes to the Authority.</p> <p>A new Asset Management Plan (AMP) was issued in February 2011. Although, the Legislative Requirements section of the AMP refers to the requirement to notify any changes to the system to the Authority, the required timeframe of 10 business days is not specified.</p>	Update the Asset Management Plan - Monitoring and Review Procedures section for the requirement to notify the Authority of any changes to the asset management system within 10 business days.		<p>Yes – further action required.</p> <p>The Shire should update the Asset Management Plan - Monitoring and Review Procedures section for the requirement to notify the Authority of any changes to the asset management system within 10 business days.</p> <p><i>Refer recommendation 01/2014.</i></p>
03/2011	<p><b>Performance and Compliance Reporting</b>  <i>Non-compliant - Minor impact</i>  <i>Licence condition Clause 21.2</i></p> <p>In accordance with the Water Compliance Reporting Manual May 2011, the Shire is required to submit to the Authority:</p> <ul style="list-style-type: none"> <li>Annual performance reports no later than 31 July for the reporting year ending 30 June; and</li> <li>Annual compliance reports by 31 August for the year ending 30 June.</li> </ul> <p>The audit reviewed the Shire's Compliance and Performance Reports for the years ending 30 June</p>	The Shire should ensure that all future Compliance Reports are submitted to the Authority within the timeframes required.		<p>Yes – further action required.</p> <p>Review of the Compliance reports for the current audit period noted some late and incomplete reports.</p> <p><i>Refer recommendation 06/2014.</i></p>

Table of Previous Non Compliances and Audit Recommendations				
Reference (no./year)	Compliance rating/ Legislative Obligation/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details of further action required. (Including current recommendation ref. if applicable)
	<p>2009, 2010 and 2011 and relevant correspondence between the Shire and the Authority and noted the following exceptions:</p> <ul style="list-style-type: none"> <li>• Compliance Report for the year ended 30 June 2010 was submitted after the due date.(within 2 months); and</li> <li>• Compliance Report for the year ended 30 June 2011 was submitted after the due date (within 2 months).</li> </ul> <p>The Shire has developed and implemented the Compliance Schedule with the annual performance and compliance reporting due dates included in the schedule of events.</p>			

## 2.5 Summary of Audit Ratings of Controls and Compliance

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

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

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

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

No. <sup>1</sup>		Legislative Reference	Audit Priority applied  (rated 1 = High to 5 = Low)	Adequacy of Controls Rating <sup>2</sup>  (A=Adequate, B=Generally adequate, C=Inadequate, D=No controls, NP=Not performed)					Compliance Rating  (1=Compliant 2=Non-compliant (minor impact), 3=Non-compliant – moderate impact, 4=Non-compliant - major impact, NR=Not rated)				
				A	B	C	D	NP	1	2	3	4	NR
25	Compliance notice issued by licensee re not maintaining pipes	Sec. 106(2)	4					✓					✓
26-27	N/A to this licence												
28	Compliance notice issued by licensee re building works	Sec. 119(2)	4				✓						✓
29	Review of decisions	Sec. 122(2)	4				✓						✓
30	Apportionment of fees between properties	Sec. 125(2)	4					N/A					N/A
31	Lodging memorial to secure fees owing	Sec. 128(4)	4				✓						✓
32-33	Notice to property owner	Sec. 129(5) & 139(3)	4					✓					✓
34	Notice to roads authority	Sec. 141(1)	4					N/A					N/A
35-41	Proposal for major works	Sec. 142, 143(2)&(3), 144(3), 145(2), 147(3)&(4)	4				✓						✓
42-45	Proposal for general works	Sec. 151(1)-(3), 153(3)	4				✓						✓
46-48	Interest in land	Sec. 166(5)-(6), 170						N/A					N/A
49-57	Notice of entry to property and authority to enter	Sec. 174(1),(3)&(4) Sec. 175(2)&(5), 176(1),(3)&(4), 181	4				✓						✓
58-61	Warrant to enter property	Sec. 186, 187(1)-(3), 190(4)-(5), 210(5), 218(2)-(3).	4				✓						✓
62	Compliance Officer	Sec. 210(5)	4	✓					✓				
63	Minimum disruption	Sec. 218(2)	4				✓						✓
64	Physical damage	Sec. 218(3)	4					✓					✓
<b>Water Services Regulations 2013</b>													
74-75	Work affecting roads	Reg. 60(2), 63	4					✓					✓
89	Compliance notice issued by licensee to include consequences and rights	Reg. 85	4				✓						✓
<b>Water Services Code of Conduct (Customer Service Standards) 2013</b>													
92	Information for customers	Cl. 7	4	✓					✓				
93	Timeliness of connections	Cl. 8	4				✓			✓			
94	Annual service charges	Cl. 9	4	✓					✓				
95-98	Usage bills at least 6 monthly	Cl.10(2)-(5)	4					N/A					N/A
99	Address for billing	Cl. 11	4	✓					✓				
103-104	Basic of billing estimate	Cl. 13(1)&(2)	4					N/A					N/A
105	Request for meter reading	Cl. 14(1)	4					N/A					N/A

No. <sup>1</sup>		Legislative Reference	Audit Priority applied  (rated 1 = High to 5 = Low)	Adequacy of Controls Rating <sup>2</sup>  (A=Adequate, B=Generally adequate, C=Inadequate, D=No controls, NP=Not performed)					Compliance Rating  (1=Compliant 2=Non-compliant (minor impact), 3=Non-compliant – moderate impact, 4=Non-compliant - major impact, NR=Not rated)				
				A	B	C	D	NP	1	2	3	4	NR
106	Higher than normal charge	Cl. 15	4					N/A					N/A
107-112	Under and over charges	Cl. 16(2)-(5), 17(1)-(2)	4				✓						✓
113	Review of bill - requests	Cl. 18(1)	4				✓						✓
114-117	Review of bill - procedures	Cl. 18(2)-(6)	4				✓			✓			
118	At least 14 days for payment	Cl. 20	4	✓					✓				
119-121	Payment methods	Cl. 21(1)-(2), 22	4	✓					✓				
122	Payment in advance	Cl. 23(1)	4					✓					✓
123	Redirection of bills	Cl. 24	4					✓					✓
124	Payment plan	Cl. 25	4					✓					✓
125	Financial hardship policy - written	Cl. 26(1)-(2)	4	✓					✓				
126	Financial hardship policy - approval	Cl. 26(3)	4	✓					✓				
127	Financial hardship policy – new licences	Cl. 26(4)	4					N/A					N/A
128	Financial hardship policy – publicly available	Cl. 26(5)	4	✓					✓				
129	Financial hardship policy – 5 year review	Cl. 26(6)	4		✓								✓
130-132	Financial hardship policy – payment variations	Cl. 27(2)-(3), 28(1)	4	✓									✓
133	Financial hardship policy – written information	Cl. 28 (4)&(5)	4	✓					✓				
134	Debt recovery	Cl. 29	4	✓									✓
139,142 .144	Reducing flow rates	Cl. 33, 34(4)&(6)	4					N/A					N/A
145-147	Complaints procedure - written	Cl. 35(1)-(3)	4	✓					✓				
148-149	Complaints procedure - details	Cl. 35(4)&(6)	4			✓				✓			
150	No charge for information	Cl. 36(1)	4	✓									NR
152	Access to customer information	Cl. 36(2)	4	✓									NR
153	All Code of Conduct information to be publicly available in hardcopy and website	Cl. 37(1)	4			✓				✓			
<b>Licence Conditions – Specific Clauses</b>													
155	Fees to regulator	Cl. 4	4					✓					✓
156	Compliance with legislation	Cl. 5.1	4		✓					✓			
157	Compliance with Code of Practice	Cl. 5.2	4					N/A					N/A
158	Compliance with Code of Conduct	Cl. 5.3	4		✓					✓			
159	Compliance re any breaches	Cl. 5.4	4					✓					✓
160	Compliance with Accounting Standards	Cl. 12	4	✓					✓				



No. <sup>1</sup>		Legislative Reference	Audit Priority applied  (rated 1 = High to 5 = Low)	Adequacy of Controls Rating <sup>2</sup>  (A=Adequate, B=Generally adequate, C=Inadequate, D=No controls, NP=Not performed)					Compliance Rating  (1=Compliant, 2=Non-compliant (minor impact), 3=Non-compliant – moderate impact, 4=Non-compliant - major impact, NR=Not rated)				
				A	B	C	D	NP	1	2	3	4	NR
161	Compliance with performance standards	Cl. 13.1	4	✓					✓				
162	Operational audit	Cl. 14.4	4	✓					✓				
163	External administration	Cl. 15.1(a)-(c)	4					✓					✓
164	Advise Authority of major or general works	Cl. 15.1(d)	4				✓						✓
165	Provision of information to the Authority	Cl. 16.1	3			✓				✓			
166	Compliance reporting to Authority	Cl. 16.2	3			✓				✓			
167	Performance reporting to Authority	Cl. 16.3	3			✓				✓			
168	Publishing information	Cl. 17.2	4					✓					✓
169	Notices in writing	Cl. 18.1	4	✓					✓				
170	Notify Authority of asset management system (AMS)	Cl. 20.1	4					N/A					N/A
171	Notify Authority of material change to AMS	Cl. 20.2	3				✓					✓	
172	AMS review	Cl. 20.6	4	✓					✓				
173	Ombudsman scheme	Cl. 21.1	4	✓					✓				
174	Customer contract – standard terms	Cl. 22.1	4					✓					✓
175-180	Customer contract approval and amendment	Cl. 23.1-23.3, 23.6, 24.1-2 24.4.	4					✓					✓
181	Obligations of supplier of last resort	Cl. 25.1	4					N/A					N/A
182	No services outside operating area	Cl. 28.1(b)	4					N/A					N/A
183	Financial hardship policy guidelines	Cl. 30.3	4	✓					✓				
190	Service and performance standards (if applicable)	Schedule 3	2	✓					✓				

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

## 2.6 Audit Observations and Recommendations

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
<b>Additional Obligations under Licence WL 22 Version 2 (applicable to 17 November 2013)<sup>6</sup></b>							
-	Customer Charter	(Previous licence version 2) Water Services Licensing Act 1995	The licensee must establish a Customer Service Charter and make it available to customers.	4	The auditor confirmed with the Shire's EHO that the Shire of Lake Grace Customer Service Charter for Wastewater Services existed and was made available to customers up to 17 November 2013 at request and at no charge in a hard copy, was prominently displayed at the Shire's reception and published on the Shire's website. The Shire's EHO also advised that the customers were advised of the availability of the Customer Service as part of the annual Rate Notices mail out. The auditor confirmed that the Shire of Lake Grace Customer Service Charter for Wastewater Services is still available on the Shire's website.	A	1
-	Customer consultation	(Previous licence version 2) Water Services Licensing Act 1995	The licensee must establish a customer consultation process.	4	The auditor confirmed with the Shire's EHO that an adequate customer consultation process has been established (as per Schedule 3 of the operating licence Version 2) and existed for customers up to 17 November 2013 and continues.	A	1
<b>Water Services Act 2012</b>							

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

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

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

<sup>6</sup> Licence WL22 Version 2 applied to the Shire until the new licence Version 3 was issued on 18 November 2013.

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
1.	Nature of services	Section 21(1)(a)	The licensee must provide a water service authorised by the licence to persons entitled to the service under the Act, except to the extent otherwise provided for by the Act.	2	The auditor confirmed with the Shire's EHO, review of Asset Management System documentation and drawings and observation, review of the Shire's Rate Book and a sample of annual Rate Notices that, during the audit period, the licensee provided a water service in accordance with the licence (ie sewerage and non-potable water services) to persons entitled to the service under the Act.  The auditor confirmed with the Shire's EHO that services are available for connection on any land in the Operating Area subject to compliance with the Shire's conditions.	A	1
2.		Section 21(1)(b)	The licensee must offer to provide a water service on reasonable terms, unless provision of the service is not financially viable or is otherwise not practicable, to persons within the operating area who are not entitled to the service under the Act.	4	The auditor confirmed with the Shire's EHO that no request for connection was made to the licensee from a person within the operating area who is not entitled to the service.	NP	NR
3.		Section 21(1)(c)	The licensee must provide, operate and maintain the water service works specified by the Authority in the licence.	4	Confirmed by this audit and review.	A	1
4.	Operating area	Section 22	The licensee must notify the Authority as soon as practicable before commencing to provide the water service outside of the operating area of the licence.	4	The auditor confirmed with the Shire's EHO, review of Asset Management System documentation and drawings and observation that the licensee does not provide a water service outside of the operating areas set out in Plan Number: OWR-OA-037(C).	NP	NR
5.	Outsourcing of services	Section 23	All water service works used by the licensee in the provision of a water service must be held by the licensee, or must be covered by an agreement whereby the licensee can operate the works so as to comply with its obligations, or must fit in to other prescribed categories under the Act.	4	The auditor confirmed with the Shire's EHO and review of Asset Management System documentation that all water service works used by the licensee in the provision of a water service are provided by the licensee.	A	1

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No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
6.	Asset management system	Sections 24(1)(a) & 24(2)	The licensee must have an asset management system that provides for the operation and maintenance of the water service works.	2	This audit and review confirmed the licensee has an asset management system.	A	1

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
7.	Changes to asset management system	Section 24(1)(b)	The licensee must give details of the asset management system and any changes to it to the Authority.	4	<p>The asset management system comprises of the Asset Management Plan, the related schedules, the IT system supporting the AMS and the people that manage the AMS.</p> <p>The requirement to notify the Authority of any significant changes to the asset management system, within 10 business days, is not documented in the Shire's Asset Management Plan nor in any other Shire's internal document e.g. Compliance Schedule.</p> <p>The audit noted that the person responsible for the AMS (the former EHO) left the Shire in January 2013 and no-one was appointed to take responsibility for the AMS until November 2014. Also electronic versions of the AMP and other schedules appear to have been lost by the Shire. The fact that these issues were not identified and reported to the Authority is a breach of section 24(1)(b) of the Act.</p> <p><u>Recommendation 01/2014</u></p> <ol style="list-style-type: none"> <li><i>The Shire should ensure that the Authority is notified about any future significant change to the asset management system within 10 business days.</i></li> <li><i>The Shire should update the Asset Management Plan – Monitoring and Review Procedures section for the requirement to notify the Authority of any significant changes to the asset management system within 10 business days.</i></li> <li><i>The Shire should ensure that there is adequate staffing for the maintenance of asset management system.</i></li> <li><i>The Shire should ensure that complete documentation of the AMS is retained by the Shire when contracted resources are utilised.</i></li> </ol>	D	4

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
					<p>The Shire's staff were unable to locate the Shire's Compliance Schedule that was in place during the previous audit period. Therefore, the Shire has no hardcopy record of compliance activities and due dates to comply with the licence. The Compliance Schedule should include informing the Authority of changes to the AMS within 10 business days.</p> <p><u>Recommendation 09/2014</u></p> <ol style="list-style-type: none"> <li><i>The Shire should develop and implement a Compliance Schedule documenting the compliance activities, responsibilities and due dates including the annual performance and compliance reporting due dates; the requirement to review the financial hardship policy and the next policy review due date; the requirement to notify the Authority of any significant changes to the asset management system within 10 business days, the requirement for timeliness of connections etc. to ensure regulatory timeframes are met.</i></li> <li><i>The Shire should place the hardcopy Compliance Schedule on the front of the hardcopy Licence file.</i></li> </ol> <p><i>Also, refer recommendation 15/2014 re record keeping.</i></p>		
8.	Asset management system review	Section 24(1)(c)	A licensee must provide the Authority with a report by an independent expert as to the effectiveness of its asset management system every 24 months, or such longer period as determined by the Authority.	4	Reviews undertaken as required by the Authority.	A	1

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
9.	Operational audit	Section 25	A licensee must, not less than once every 24 months, or such longer period as determined by the Authority, provide the Authority with an operational audit conducted by an independent expert acceptable to the Authority.	4	Audits undertaken as required by the Authority.	A	1
10.	Code of Practice	Section 26(3)	The licensee must comply with each <b>code of practice</b> made by the Minister to the extent to which it applies to the licensee.	4	No Codes of Practice have been issued by the Minister.	NP	NR
11.	Code of Conduct	Section 27	The licensee must comply with the <b>code of conduct</b> that may be made by the Authority to the extent to which it applies to the licensee and is not inconsistent with the licence.	4	The auditor reviewed compliance with Code of Conduct as per obligations listed in this audit report, and concluded that the licensee generally complies with the Code of Conduct with the exception of non-compliances noted as in this audit. <i>Refer recommendations 03/2014 to 05/2014.</i>	B	2
12.	Compliance	Section 29	The licensee must comply with the duties imposed on it by the Act in relation to its licence and must carry out its operations in respect of the licence in accordance with the Act.	4	Reviewed Compliance and Performance reports to the Authority for 2011/12, 2012/13 and 2013/14 and underlying recording systems and ensured data is complete and accurate. There were some delays and omissions in the Compliance reports. <i>Refer obligation 165.</i>	B	2
13.	Termination of service	Section 36	If the licensee ceases to provide a water service in an area, the licensee must ensure that the water service works are left in a safe condition, and must not remove any part of the works except with the approval of the Minister.	4	Confirmed with the Shire's EHO and review of the Asset Management System documentation and drawings and observation that the licensee didn't cease to provide a water service in the area.	NP	NR
14.	Supplier of last resort	Section 60	If the licensee is the supplier of last resort for a designated area, the licensee must perform the functions of the supplier of last resort and must comply with the relevant duties and carry out the relevant operations prescribed.	4	Confirmed by with the Shire's EHO that the licensee is not a supplier of last resort.	N/A	N/A

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
15.	Ombudsman scheme	Section 66	Licensees who are required to be a member of the water services ombudsman scheme agree to be bound by, and compliant with, any decision of direction of the water services ombudsman under the scheme.	4	Confirmed by review of the correspondence between the licensee and the Energy and Water Ombudsman (WA) Limited that the licensee is a member of the Water Services Ombudsman scheme.	A	1
16.	Interruption of water supplies	Section 77(3)	The licensee must take reasonable steps to minimise the extent or duration of any interruption of water services it is responsible for.	4	Confirmed with the Shire's EHO that no interruption to water services occurred during the audit period.	NP	NR
17.	Notification of building works	Sections 82(4) & (5)	If a person must give the licensee notice of any building work to be carried out on land in the operating area of a license, the licensee must return a copy of the plans and specifications contained in the notice with any written directions about the proposed building work that the licensee considers necessary to ensure the safety and efficacy of the provision of water services provided, or to be provided. The licensee must do this within 7 days of receiving the fee for dealing with the notification.	4	Confirmed with the Shire's staff that, during the audit period, no notice of building work has been received by the Shire.  However, there is no internal procedure for notification of building works in relation to the water services.  <i>Recommendation 08/2014</i>  <i>The Shire should develop and/or update internal procedures with the requirements under the licence re building works, road works, issue of work order notices or compliance notices, under and over charges, etc. The detailed compliance obligations in this report could be used as a reference.</i>	D	NR
18.	Additional Water Services - Ensuring water service works are done	Section 84(2)	If the licensee has given a notice under section 83(3)(a) of the Act, and the licensee is satisfied that the person given the notice is not going to comply with the notice within a reasonable time, the licensee must give the person 21 days' notice of its intention to commence the works.	4	The auditor confirmed by interview with the Shire's EHO that, during the audit period, there was no requirement for additional water services. As such, no notice under section 83(3)(a) of the Act was given by the licensee.  However, there is no internal procedure for additional water services and ensuring water services are done.  <i>Refer recommendation 08/2014.</i>	D	NR



No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
19.	Review of decisions (Additional Water Services - Ensuring water service works are done)	Section 87(2)	If a person makes an application with the State Administrative Tribunal for a review of a decision in respect of the licensee providing additional water services when a person has not responded to the licensee's notice, the licensee cannot provide the works until the application has been finally dealt with, except in limited circumstances.	4	As per item 18.	D	NR
20.	Construction near water service works	Section 90(7)	If the licensee gives a compliance notice to a person who is undertaking construction or carrying out similar works in the vicinity of water service works, the licensee must, to the extent practicable, consult with the owner of the land on which the obstruction is located or the activity is taking place if the person to be given the notice is not the owner of the land.	4	The auditor confirmed by interview with the Shire's staff that, during the audit period, no compliance notice was given by the Shire to a person in relation to undertaking construction or carrying out similar works in the vicinity of water service works. However, there is no internal procedure in place to govern issue of a compliance notice to a person who is undertaking construction or carrying out similar works in the vicinity of water service works and the requirement to consult with the owner of the land. <i>Refer recommendation 08/2014.</i>	D	NR
21.	Termination of water supply (irrigation)	Section 95(3)	The licensee cannot cut off the supply of water to an occupied dwelling unless the occupier agrees to that.	4	Confirmed by the interview with the Shire's EHO and review of the Asset Management System documentation and drawings that the non-potable water supply (irrigation) does not apply to occupied dwellings.	N/A	N/A
22.	Fire hydrants	Section 96(1)	If the licensee provides water supply reticulation works, or enters into an agreement for the provision of water supply reticulation works, the licensee must install fire hydrants attached to those works in accordance with the requirements of the Department of Fire and Emergency Services (DFES), or the relevant local government as to the location and type of hydrant.	4	Confirmed by the interview with the Shire's EHO that no request was received from DFES to install fire hydrants.	NP	NR

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23.		Section 96(5)	The licensee must comply with requests made under sections 96(3) and 96(4) of the Act to the extent practicable and within a reasonable time.	4	As per item 22.	NP	NR
24.	Minister may require connection to sewer works	Section 98(3)	If required to by the Minister, the licensee must connect a wastewater inlet on land to the sewerage works of the licensee.	4	Confirmed by the interview with the Shire's staff that, during the audit period, no written notice requiring connection to the Shire's sewerage works has been received from the Minister.	NP	NR
25.	Discharge of Trade Waste - Compliance notice issued by Licensee	Section 106(2)	The licensee must include the information specified in a compliance notice given in relation to failure to maintain fittings, fixtures and pipes.	4	The auditor confirmed with the Shire's EHO and review of the Rate Book that there is no trade waste discharged to the Shire's scheme i.e. wastewater other than wastewater of the kind and volume ordinarily discharged from an ordinary dwelling used solely or primarily as the dwelling of the occupants.	NP	NR
26.	N/A						
27.	N/A						
28.	Compliance notice issued by Licensee	Section 119(2)	The licensee must include the information specified in a compliance notice given in relation to the matters set out in section 119(1).	4	The auditor confirmed by interview with the Shire's staff that, during the audit period, no compliance notices have been issued by the Shire to any party. However, there is no internal procedure governing the issue of the compliance notices and what the notice should contain. <i>Refer recommendation 08/2014.</i>	D	NR
29.	Review of decisions relating to giving compliance notices	Section 122(2)	If a person makes an application to the State Administrative Tribunal under section 122(1), the licensee cannot take, or continue to take, action against the person except in the circumstances specified.	4	As per item 28. <i>Refer recommendation 08/2014.</i>	D	NR

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30.	Apportionment of fees between properties	Section 125(2)	If the licensee provides a water supply, sewerage or drainage service to 2 or more dwellings on land by a single property connection, the licensee may apportion fees. The licensee cannot apportion fees to the extent inconsistent with any agreement related to such a provision of services, or section 66 of the <i>Strata Titles Act 1985</i> .	4	The auditor confirmed with the Shire's EHO and review of the Asset Management System documentation and drawings that the non-potable water supply (irrigation) does not apply to occupied dwellings and that there are no multiple dwellings served by a single property connection.	N/A	N/A
31.	Lodging memorial to secure fees owing	Section 128(4)	If the licensee has previously lodged a memorial with the Registrar, the licensee must lodge a withdrawal of memorial with Registrar along with the prescribed fee (if any) if the charge or contribution has been paid.	4	The auditor confirmed with the Shire's staff that, during the audit period, no memorial has been lodged with the Registrar. It is possible to raise a memorial or caveat over land if rates including sewerage charges are unpaid.  <i>Refer recommendation 08/2014.</i>	D	NR
32.	Notice to property owner	Section 129(5)	If a routine inspection or maintenance is likely to cause disruption to the occupants of a place at least 48 hours' notice of a proposed entry must be given to the occupier of the place unless the occupier agrees otherwise.	4	The auditor confirmed with the Shire's EHO that, during the audit period, no routine maintenance of the water service works was undertaken that would require entry to the residential dwelling or likely to cause disruption to the occupants of a place. The EHO advised that it is very unlikely that access to a residential dwelling would ever be required for the purpose of routine maintenance of water service works.  The circumstances, in which the Shire's representatives may enter a residential dwelling to carry out investigations and/or work on the Shire's wastewater system, are set out in the Health Act 1911 as well as the Local Government Act 1995. Under both of these Acts at least 24 hour notice is required to be given prior the power of entry is exercised.	NP	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
33.		Section 139(3)	If the licensee removes or erects a fence or gate when exercising a works power conferred by the Act, the licensee must take all reasonable steps to notify the owner before doing so.	4	The auditor confirmed with the Shire's EHO and review of the Asset Management System documentation that the licensee did not exercise ancillary work powers during the audit period.	NP	NR
34.	Notice to roads authority	Section 141(1)	In certain instances, if a person authorised by the licensee carries out road work that involves breaking the surface of the road or that would cause major obstruction to road traffic, the licensee must give at least 48 hours' notice to the public authority managing the road.	4	The auditor confirmed with the Shire's EHO, review of the Asset Management System documentation and drawings that during the audit period the licensee had not carried out any road works that involved breaking the surface of the road or that would cause major obstruction to road traffic. As roads are maintained by the Shire, no notice is required to be given.	N/A	N/A
35.	Proposals for major works (includes WWTP with capacity over 2ML per day, dams, irrigation schemes, etc.)	Sections 142	The licensee must comply with sections 143 and 144 of the Act in relation to the proposed major works, and has given any notice required under section 148.	4	The Authority has been notified of and has approved the asset management system as part of the licence approval. The auditor confirmed by interview with the Shire's EHO and review of the Asset Management System documentation and drawings that no additional major works have been proposed during the audit period. Therefore, Division 3 – Major works, requirements for public notification and Ministerial authorization under Part 6 the Act did not apply to the licensee during the audit period. However, there is no internal procedure in place to govern proposals for major works. <i>Refer recommendation 08/2014.</i>	D	NR
36.		Sections 143 (2)	Before the licensee submits a proposal for the provision of major works to the Minister, the licensee must prepare, publish and make available plans and details of those major works as specified.	4	As per item 35.	D	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
37.		Sections 143 (3)	The licensee must, within 5 days of publishing the plans and details on the licensee's website, give notice setting out the matters prescribed in section 143(4) to the persons and agencies specified.	4	As per item 35.	D	NR
38.		Sections 144(3)	The licensee must have regard to an objection or submission lodged within the relevant period.	4	As per item 35.	D	NR
39.		Section 145(2)	If the licensee makes alterations to the plans or details referred to in section 143(2), the licensee must give written notice of the alterations to any person who is likely to be adversely affected by those alterations.	4	As per item 35.	D	NR
40.		Section 147(3)	The licensee must comply with a direction given by a Minister in respect of a proposal to provide water service works that are major works under section 143(3).	4	As per item 35.	D	NR
41.		Section 147(4)	If the Minister gives a direction that further notices in relation to the proposed major works be given under section 143(3), the licensee must resubmit the proposal.	4	As per item 35.	D	NR
42.	Proposals for general works (includes new WWTP with capacity up to 2ML per day, reticulation mains and trunk lines, pumping stations, etc.)	Section 151(1)	A licensee proposing to provide water service works that are general works must prepare plans and details of the proposed works and publish and make them available for inspection.	4	The auditor confirmed with the Shire's EHO and review of the Asset Management System documentation and drawings that no additional general works have been proposed during the audit period. However, there is no internal procedure in place to govern proposals for general works. <i>Refer recommendation 08/2014.</i>	D	NR
43.		Section 151(2)	The licensee must give a notice setting out the matters referred to in section 151(3) to the persons and agencies specified.	4	As per item 42.	D	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
44.		Section 152(3)	The licensee must have regard to an objection or submission lodged by the date specified in the notice given under section 151(2).	4	As per item 42.	D	NR
45.		Section 153(3)	If the licensee makes alteration to those plans or details referred to in section 151, the licensee must give written notice of the alterations to any person who is likely to be adversely affected by those alterations.	4	As per item 42.	D	NR
46.		Section 166(5)	On being advised by the Minister that an interest in land is appropriate to the licensee's needs, the licensee is required to acquire the interest.	4	The auditor confirmed by interview with the Shire's staff that, during the audit period, no advice has been received from the Minister to acquire the interest in land. However, there is no internal procedure in place for this requirement. <i>Refer recommendation 08/2014.</i>	D	NR
47.		Section 166(6)	Any costs incurred in taking an interest in land are to be paid by the licensee.	4	As per item 46.	D	NR
48.		Section 170	The licensee must not sell an interest in land if the purchaser would hold a parcel of land that did not comply with the minimum lot size and zoning requirements under the <i>Planning and Development Act 2005</i> , unless the Minister permits the licensee to do so.	4	As per item 46.	D	NR
49.	Notice of entry to property and authority to enter	Section 173(4)	In relation to entry to a place for the purposes of doing works, in the circumstances specified the licensee is required to give 48 hours' notice of proposed entry to a place to the occupier or owner, as applicable, unless the occupier or owner agrees otherwise.	4	The auditor confirmed with the Shire's EHO that, during the audit period, no entry to the residential dwelling was required for the purposes of doing works. However, there is no internal procedure that documents the minimum notice period required. <i>Refer recommendation 08/2014.</i>	D	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
50.		Section 174(1)	Notice of a proposed entry by the licensee must be in writing and must set out the purpose of the entry, including (if applicable) any work proposed to be carried out.	4	As per item 49.	D	NR
51.		Section 174(3)	Even if in a particular instance the licensee may enter a place under the Act without having to give notice of proposed entry, the licensee must when practicable, and when it will not compromise the reason for entry, give notice of entry to the occupier.	4	As per item 49.	D	NR
52.		Section 175(2)	If an occupier is present when the licensee proposes to enter a dwelling, the licensee must perform the prescribed actions before entering the premises.	4	As per item 49.	D	NR
53.		Section 175(5)	If the licensee enters a dwelling that is unoccupied, the licensee must leave a notice or a copy of the warrant (as applicable) in a prominent position in the dwelling before leaving the dwelling.	4	As per item 49.	D	NR
54.		Section 176(1)	If the licensee has entered a place with or without consent, the licensee must leave the premises as soon as practicable after being notified that the owner or occupier has refused or withdrawn their consent.	4	As per item 49.	D	NR
55.		Section 176(3)	The licensee must produce their certificate of authority if asked to do so, and must not perform, or continue to perform, a function under the Act until they are not able to do so.	4	As per item 49.	D	NR
56.		Section 176(4)	If the licensee enters or proposes to enter a place, and the owner or occupier requests the licensee produce evidence of authority for that entry, then the licensee must leave the place if they are unable to do so unless the owner or occupier agrees otherwise.	4	As per item 49.	D	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
57.		Section 181	The licensee, or a person assisting the licensee, must, as far as is practicable comply with any reasonable request from the owner or occupier intended to limit interference with the lawful activities of the owner or occupier.	4	As per item 49.	D	NR
58.		Section 186	If the licensee applies for a warrant, the application must contain the prescribed information.	4	The auditor confirmed by interview with the Shire's staff that, during the audit period, no application was made by the licensee for a warrant. Although the Local Government Act 1995 provides grounds for application for a warrant, there is no internal procedure in place governing a warrant issued under the Water Services Act 2012, however unlikely. <i>Refer recommendation 08/2014.</i>	D	NR
59.		Section 187(1) – (3)	If the licensee applies for a warrant to enter, the application must be made in accordance with the procedures specified depending on the location of the applicant and the justice.	4	As per item 58.	D	NR
60.		Section 190(4)	Unless required to give a copy of the warrant, the licensee executing the warrant must produce the warrant for inspection by the occupier of the place concerned on entry (if practicable), and if requested to do so.	4	As per item 58.	D	NR
61.		Section 190(5)	On completing the execution of a warrant the licensee must record the prescribed information on that warrant.	4	As per item 58.	D	NR



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62.		Section 210(5)	If the licensee designates a person as an inspector or compliance officer, the licensee must give that person a certificate of authority that includes certain prescribed information.	4	The auditor sighted correspondence from the Department of Health, appointing the current Shire's EHO, Lauren Bosch, as an Environmental Health Officer to the Shire of Lake Grace with effect from 26 November 2014, in accordance with the requirements of Section 28 of the Health Act 1911. The former Shire's EHOs were also appointed as Environmental Health Officers to the Shire of Lake Grace with effect from 12 September 2014. The authority cards issued to the Shire' EHOs were sighted. The auditor confirmed that the certificates of authority set out and includes all prescribed information.	A	1
63.		Section 218(2)	In the exercise or purported exercise of a power under the Act, the licensee must ensure that, to the extent practicable, the free use of any place is not obstructed, and that as little damage, harm or inconvenience is caused as is possible.	4	As per item 49 and 58. There is no internal procedure. <i>Refer recommendation 08/2014.</i>	D	NR
64.		Section 218(3)	If the licensee does any physical damage in the exercise of a works power or a power of entry, the licensee must ensure that the damage is made good, and pay compensation to the extent that it is not practicable to make good the damage.	4	The auditor confirmed with the Shire's EHO that, during the audit period, no physical damage has been done in the exercise of a works power or a power of entry. The Shire's Customer Service Charter for Water Services is still available on the Shire's website. The charter stipulates the Shire's liability for loss or damage in relation to water services works and rights of compensation.  Any compensation claims for damage would be dealt with via the Shire's insurance.	NP	NR
Water Services Regulations 2013							

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74.	Works affecting roads	Regulation 60(2)	If the licensee proposes to exercise a works power in a road and considers that it is necessary to alter the position of infrastructure, the licensee must notify the person who is responsible for the infrastructure and may request that the person make the alterations within the time specified in the notice.	4	The auditor confirmed by interview with the licensee's EHO, review of the Asset Management System documentation and drawings that during the audit period the licensee did not propose to exercise and did not exercise a works power in a road.	NP	NR
75.		Regulation 63	If the licensee opens or breaks up the surface of a road, the licensee must complete the relevant work and reinstate and make good the road, and must take all reasonable measures to prevent that part of the road from being hazardous.	4	As per item 74.	NP	NR
89.	Compliance notice issued by licensee to include consequences and rights	Regulation 85	Compliance notices issued by the licensee must include a brief description of the possible consequences under the Act of not complying with the notice, and the rights of review under the Act in relation to the notice and who may apply for review.	4	<p>The Shire's EHO confirmed that no compliance notice has been issued by the Shire during the audit period.</p> <p>Although, Section 3.25 of the Local Government Act 1995 provides ground for issue of compliance notices to owner or the occupier of the land in certain circumstances, there is no internal procedure governing the issue of the compliance notices and what the notice should contain.</p> <p><i>Refer recommendation 08/2014.</i></p>	D	NR
<b>Water Services Code of Conduct (Customer Service Standards) 2013</b>							

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92.	Information for customers	Clause 7	The licensee must have written information for customers about the specified matters.	4	<p>Although not mandatory after 17 November 2013, the Shire's Customer Service Charter for Water Services is still available on the Shire's website. The charter is generally consistent with the licence provision in covering all the service issues likely to be of concern to the Shire's customers.</p> <p>Information about the fees that apply in relation to connections and when the fees are payable in the annual Rate Notice and accompanied Your Rates Summary Brochure.</p> <p>Together these provide the required information.</p>	A	1

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
93.	Timeliness of connections	Clause 8	The licensee must ensure that, in any 12 month period, 90% of connections are completed before the end of 10 business days, starting on the day on which the customer has paid the relevant fees and complied with the relevant requirements.	4	<p>Reviewed Performance Reports for 2011/12, 2012/13 and 2013/14 and noted that 4 new properties were connected to the scheme in 2013/14. The Shire could not provide evidence that 90% of new connections in 2013/14 were completed within the timeframes required. Therefore, this needs to be treated as a non-compliance with this provision of the Code.</p> <p>The Shire's EHO also advised that a new subdivision of 10 blocks have been completed in 2013. However there were no properties constructed to date on this block of land and no fees were collected in relation to this subdivision.</p> <p>The requirement for timeliness of connections is not documented in the Shire's Asset Management Plan nor in any other Shire's internal document e.g. Compliance Schedule.</p> <p><u>Recommendation 02/2014</u></p> <p><i>1. 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.</i></p> <p><i>Cont'd....</i></p>	D	2

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
					<p><i>Recommendation 02/2014 - Continued</i></p> <p><i>2. The Shire should update the Levels of Service section of the Asset Management Plan for the requirement that, in any 12 month period, 90% of connections must be completed before the end of 10 business days of a customer paying the relevant fees and complying with the relevant requirements.</i></p> <p><i>Also refer recommendation 09/2014</i></p>		
94.	Annual service charges	Clause 9	The licensee must issue a bill for non-quantity charges to each customer at least once in every 12 month period.	4	<p>Confirmed on a sample basis that the annual rate notice is issued to each owner or occupier, as the case requires, of land on which a service charge is imposed.</p> <p>Water services charges are being determined based on the Gross Rental Value (GRV).</p>	A	1
95.	Usage bills at least 6 monthly	Clause 10(2)	The licensee must issue a bill for usage to each customer at least once in every 6 month period.	4	<p>Confirmed with the Shire's staff that no usage charges are billed for sewerage or non-potable water supply. Note: Under Sec 123(1) of the Water Services Act 2012, fees and charges may be imposed for water services on prudent commercial principles.</p> <p><i>(this also applies to further obligations below).</i></p>	N/A	N/A
96.		Clause 10(3)	The licensee must ensure a bill for usage is based on a meter reading to ascertain the quantity supplied or discharged.	4	<p>As per 95, no usage charges are billed for sewerage or non-potable water supply.</p>	N/A	N/A
97.		Clause 10(4)	If an accurate meter reading is not possible, a bill for usage must be based on an estimation (in accordance with the prescribed regulations) of the quantity of water supplied or waste water discharged.	4	<p>As per 95, no usage charges are billed for sewerage or non-potable water supply.</p>	N/A	N/A

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

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107.	Under and over charges	Clause 16(2)	The licensee cannot recover an undercharged amount from a customer unless it is for water services provided in the 12 month period ending on the day on which the licensee informed the customer of the undercharging.	4	The undercharging or overcharging can result from the amendment of a rate record, resulting in reassessment of rate or service charges imposed on the land. The Shire's staff confirmed that no overcharging or undercharging occurred during the audit period. Although Section 6.40 of the Local Government Act 1995 provides ground for provision of rebate or refund in case of rates or service charges reassessment, there is no internal procedure to govern overcharging or undercharging resulting from amendment of rate record and the 12 month limitation on recovering undercharges. <i>Refer recommendation 08/2014.</i>	D	NR
108.		Clause 16(3)	An undercharged amount must be the subject of, and explained in, a special bill or a separate item in the next bill. The licensee cannot charge interest or late payment fees on an undercharged amount. The licensee must allow a customer to pay an undercharged amount by way of a repayment plan as specified in the code of conduct.	4	As per item 107.	D	NR
109.		Clause 16(4)	The licensee must not charge interest or late payment fees on an undercharged amount.	4	As per item 107.	D	NR
110.		Clause 16(5)	The licensee must allow a customer to pay an undercharged amount by way of a repayment plan that has effect for the duration of shorter of the prescribed periods starting on the day that the bill in clause 16(3) is issued.	4	As per item 107.	D	NR

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



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114.		Clause 18(2)	The license must have a written procedure for the review of a bill on the customer's request.	4	<p>There is no written procedure for review of a bill on the customer's request.</p> <p><u>Recommendation 03/2014</u></p> <ol style="list-style-type: none"> <li><i>The Shire should develop a written procedure for review of bills (rates notices with sewerage charges).</i></li> <li><i>The procedure should be made publicly available on the Shire's website and in hardcopy.</i></li> <li><i>The procedure should include:</i> <ol style="list-style-type: none"> <li><i>what happens if the customer has been undercharged or overcharged;</i></li> <li><i>what the customer can do if dissatisfied with outcome of the review;</i></li> <li><i>that the customer may, but does not have to, use the licensee's complaints procedure before or instead of applying to the Water Services Ombudsman or making an appeal from, or applying for a review of, the decision that gave rise to the complaint, to the State Administrative Tribunal; and</i></li> <li><i>that the licensee must inform the customer of the outcome of a review of the customer's bill as soon as practicable or otherwise less than 15 business days from the day the customer's request for review was received.</i></li> </ol> </li> </ol>	D	2
115.		Clause 18(3) & (6)	The review procedure in clause 18(2) must include the specified information and be publicly available.	4	Refer obligation 114 above.	D	2

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116.		Clause 18(4)	The review procedure must state that the customer may, but does not have to, use the licensee's complaints procedure mentioned in clause 35 before or instead of applying to the water services ombudsman or, if available, making an appeal from, or applying for a review or, the decision under regulations mentioned in section 222(2)(k) of the Act.	4	Refer obligation 114 above.	D	2
117.		Clause 18(5)	The licensee must inform the customer of the outcome of a review of the customer's bill as soon as practicable or otherwise less than 15 business days from the day the customer's request for review was received.	4	Refer obligation 114 above.	D	2
118.	At least 14 days for payment	Clause 20	The time set by the licensee for the payment of a bill must be after 14 days from when the bill is issued.	4	As per the annual Rate Notice sighted, the time set by the licensee for the payment of a bill is 35 days from the date of issue.	A	1
119.	Payment methods	Clause 21(1)	The licensee must allow a customer to pay a bill using any of the prescribed methods selected by the customer.	4	Compliance with this requirement was confirmed by reference to a sample of annual Rate Notices, Your Rates Summary Brochure sent out with the annual Rate Notices and licensee's Financial Hardship Policy – Waste Water Services.	A	1
120.		Clause 21(2)	The licensee must, when offering bill payment method options, inform the customer of the fees and charges (if any) associated with each bill payment method offered.	4	Confirmed that annual Rate Notice and Your Rates Summary Brochure which is sent out with the annual Rate Notice contain this information.	A	1
121.		Clause 22	Before receiving a bill payment by direct debit the licensee must obtain the express consent, either orally or in writing, of the holder of the account to be debited and of the customer or an adult person nominated by the customer, to do so.	4	Confirmed by reference to a sample of annual Rate Notices that customers can tick Direct Debit option on the Rate Notice indicating their consent.	A	1

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122.	Payment in advance	Clause 23(1)	The licensee must accept payment in advance from a customer on a customer's request.	4	The Shire's staff confirmed that no request have been made by a customer to make a payment in advance during the audit period. If such a request was received, the payment in advance would be accepted.	NP	NR
123.	Redirection of bills	Clause 24	The licensee must on request and at no charge redirect a customer's bills because of the customer's absence or illness.	4	This obligation is provided for in the Shire's Financial Hardship Policy. The Shire's EHO confirmed that no requests were received in the audit period.	NP	NR
124.	Payment plan	Clause 25	The licensee must allow a customer to pay a bill under a payment plan or other arrangement under which the customer is given more time to pay the bill or to pay arrears if the customer is assessed by the licensee as experiencing payment difficulties.	4	This obligation is provided for in the Shire's Financial Hardship Policy. The Shire's EHO confirmed that no requests were received in the audit period.	NP	NR
125.	Financial hardship policy	Clauses 26(1) & (2)	The licensee must have a written policy in relation to financial hardship that is approved by the Authority.	4	The Shire's Financial Hardship Policy (FHP) – Waste Water Services was sighted. The Shire's FHP was approved by the Authority on 16 May 2014.	A	1
126.		Clause 26(3)	If the licensee's licence was in place before the commencement of the Act, the licensee must have a financial hardship policy before the end of the 6 month period starting on the day on which section 27 of the Act comes into effect.	4	The existing licensees had an obligation to have a hardship policy that is duly approved by the Authority by 18 May 2014. The Shire's FHP was approved by the Authority on 16 May 2014, as per Authority's Decision – Water Financial Hardship Policies dated 16 May 2014.	A	1
127.		Clause 26(4)	If the licensee's licence was granted after the day on which the Act came into effect, the licensee must have a financial hardship policy within 6 months of the day of the grant of the license.	4	Not applicable to the Shire as the Shire's licence was in place before the commencement of the Act.	N/A	N/A

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128.		Clause 26(5)	The licensee's financial hardship policy must be publicly available.	4	The definition of "publicly available" per Clause 3 of the Water Services Code of Conduct is website and hardcopy. Confirmed that the Shire's policy is published on the Shire's website as well as hardcopy of the policy displayed at the reception area of the Shire's office.	A	1
129.		Clause 26(6)	The licensee must review its financial hardship policy at least once in every 5 year period and, as part of the review process, consult with relevant consumer organisations.	4	The Shire's policy was approved by the Authority on 16 May 2014 and is not due for review until 2019.  The requirement to review the policy every 5 years is stated in the policy, however to ensure compliance with this requirement, the Shire should note the requirement to review the financial hardship policy and the next policy review due date in the Shire's Compliance Schedule.  <i>Refer recommendation 09/2014</i>	B	NR
130.		Clause 27(2)	The licensee must allow a customer experiencing financial hardship to pay a bill under an interest-free or fee-free payment plan other arrangement under which the customer is given more time to pay the bill or to pay arrears.	4	This obligation is included in the Shire's Financial Hardship Policy. The Shire's EHO confirmed that no requests were received in the audit period.	A	NR
131.		Clause 27(3)	The licensee must also consider reducing the amount owed, review and revise, if appropriate, how a customer is paying a bill under clause 27(2) and provide the specified written information to a customer.	4	This obligation is included in the Shire's Financial Hardship Policy. The Shire's EHO confirmed that no requests were received in the audit period.	A	NR

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132.		Clause 28(1)	Before the licensee enters into a payment plan or other similar arrangement with a customer who is not the owner of the land in respect of which the water service is provided, the licensee must ensure that the owner is aware of the proposed plan or arrangement.	4	This obligation is included in the Shire's Financial Hardship Policy. The Shire's EHO confirmed that no requests were received in the audit period.	A	NR
133.		Clause 28(4) & (5)	The licensee must have publicly available written information regarding the payment plans, arrangements and other assistance that is available to customers.	4	This obligation is included in the Shire's Financial Hardship Policy. The definition of "publicly available" per Clause 3 of the Water Services Code of Conduct is website and hardcopy. Confirmed that the Shire's policy is published on the licensee's website as well as hardcopy of the policy displayed at the reception area of the Shire's office.	A	1
134.	Debt recovery	Clause 29	The licensee must not commence or continue proceedings to recover a debt from a customer who is complying with a payment plan or other arrangement, or who is being assessed for payment difficulties or who is being assessed for financial hardship.	4	This obligation is included in the Shire's Financial Hardship Policy.	A	NR
139.	Reducing flow rate	Clause 33	The licensee must not reduce the rate of flow of water to a customer to below 2.3 litres each minute.	4	Confirmed with the Shire's EHO and review of the Asset Management System documentation and drawings that the non-potable water supply (irrigation) does not apply to occupied dwellings.	N/A	N/A
142.	Timeframe to restore service	Clause 34(4)	The licensee (other than the Water Corporation) must restore a water supply to land within the specified timeframe, unless the licensee and customer expressly agree otherwise.	4	As per 139.	N/A	N/A
144.		Clause 34(6)	The licensee (other than the Water Corporation) must ensure that there is a 90% compliance rate with clause 34(4) in any 12 month period ending on 30 June.	4	As per 139.	N/A	N/A

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145.	Complaints procedure	Clause 35(1)	The licensee must have a written complaints procedure in relation to investigating and dealing with complaints of customers about the provision of water services by the licensee or a failure by the licensee to provide a water service.	4	The Shire's Compliments and Feedback Brochure was sighted. The Brochure outlines the procedure for investigating and dealing with customers complaints and covers all aspects of the Shire's services including water services. The auditor reviewed the licensee's Sewerage Complaints Register and noted that there were no complaints received that related to water services.	A	1
146.		Clause 35(2)	The licensee's complaints procedure must be developed using as minimum standards the relevant provisions of the AS ISO 10002-2006 and the Authority's guidelines (if any).	4	Although not specifically stated in the Shire's Compliments and Feedback Brochure, the complaint procedure outlined in the Brochure is compliant with the relevant provisions of the AS ISO 10002-2006 and the Authority's Customer Complaints Guidelines dated October 2008. <i>Also refer obligation 147 regarding obligations under the Code of Conduct.</i>	A	1
147.		Clause 35(3)	The licensee's complaints procedure must provide for the matters specified in relation to lodgement of complaints, responding to complaints, dispute resolution arrangements and resolving complaints.	4	The audit reviewed the Shire's complaints handling procedure outlined in the Shire's Compliments and Feedback Brochure and confirmed compliance.	A	1

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148.		Clause 35(4)	The licensee's complaints procedure must inform the customer that they do not have to use the licensee's complaints procedure, provide details of procedures under the Act, and set out the costs and benefits to the customer if they use the complaint resolution procedure or instead of the procedures under the Act.	4	<p>The Shire's complaints handling procedure as outlined in the Shire's Compliments and Feedback Brochure does not inform the customer that they do not have to use the licensee's complaints procedure, provide details of procedures under the Act, and set out the costs and benefits to the customer if they use the complaint resolution procedure or instead of the procedures under the Act.</p> <p><u>Recommendation 04/2014</u></p> <ol style="list-style-type: none"> <li><i>The Shire should update its complaints handling procedure in the Compliments and Feedback Brochure to:</i> <ol style="list-style-type: none"> <li><i>state that a customer may, but does not have to, use the complaints procedure before or instead of the procedures under the Act i.e. applying to the Water Services Ombudsman or making an appeal from, or applying for a review of, the decision to the State Administrative Tribunal;</i></li> <li><i>in addition to an option of applying to the Water Services Ombudsman, list the option of making an appeal from, or applying for a review of, the decision that gave rise to the complaint to the State Administrative Tribunal; and</i></li> <li><i>set out the benefits to the customer, in relation to time and costs, if the customer chooses to use the complaints procedure before or instead of the procedures under the Act i.e. Water Services Ombudsman or State Administrative Tribunal.</i></li> </ol> </li> <li><i>The Shire should publish its Compliments and Feedback Brochure on its website.</i></li> </ol>	C	2

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
149.		Clause 35(6)	The licensee's complaints procedure must be publicly available.	4	<p>The definition of “publicly available” per Clause 3 of the Water Services Code of Conduct is website and hardcopy.</p> <p>The Shire's Compliments and Feedback Brochure is not publicly available. Although, the Brochure was observed to be displayed at the Shire's office, the auditor was unable to locate the Shire's Compliments and Feedback Brochure on the Shire's website.</p> <p><i>Refer recommendation 04/2014.</i></p>	C	2
150 151	No charge for information	Clause 36(1)	The licensee must provide a customer with the specified services on request and at no charge.	4	<p>Under this Section of Code the licensee must provide a customer with the following on request and at no charge:</p> <ul style="list-style-type: none"> <li>a) services for account, payment and general enquiries for use by customers with hearing or speech impaired;</li> <li>b) interpreter services for account, payment and general enquiries; and</li> <li>c) a large-print version of any of the licensee's publicly available documents.</li> </ul> <p>The Shire's staff advised that, during the audit period, no such request has been received by the licensee. Discussion with the Shire's staff confirmed they are fully aware of these options. No further action is considered necessary.</p>	A	NR



No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
152.	Access to customer information	Clause 36(2)	The licensee must make available to each customer the customer's personal account information.	4	<p>The Shire's staff confirmed that the customer's personal account information is made available to each customer upon request. The Shire's staff advised that, during the audit period, no such request has been received by the licensee and therefore cannot provide documentary evidence to satisfy Clause 36(2).</p> <p>The Shire's Fees and Charges Schedule, published on the Shire's website, stipulate the fee for Account/Rates Enquiry and providing copies.</p>	A	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
153.	All Code of Conduct information to be publicly available in hardcopy and website	Clause 37(1)	The licensee must make the prescribed information publicly available.	4	<p>The licensee must make the prescribed information publicly available. The definition of “publicly available” per Clause 3 of the Water Services Code of Conduct is website and hardcopy.</p> <p>The hardcopy annual Rates Notice contains information about fees and charges, bill payment methods and the fees and charges associated with each option, and the exemptions, discounts, rebates and concessions that are available to customers.</p> <p>The hardcopy annual Your Rates Summary Brochure that is being forwarded to each customer together with the annual Rate Notice also contains information about fees and charges, bill payment methods and the exemptions, however the Brochure is silent on the fees and charges associated with each payment option and on discounts, rebates and concessions that are available to customers.</p> <p>The Shire’s website provides information only on payment options that are available to customers.</p> <p>The licensee is also required to make publicly available information about the services provided by the licensee under clause 36(1) of the Code. The auditor was unable to locate information about provision of these services in hardcopy or on the Shire’s website.</p> <p><i>Cont’d...</i></p>	C	2

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
					<u>Recommendation 05/2014</u> 1. The Shire should update the annual Your Rates Summary Brochure to provide information on: a) fees and charges associated with each bill payment option offered; b) discounts, rebates and concessions that are available to customers; and c) services provided by the stipulated in clause 36(1) of the Code. 2. The Shire should publish the annual Your Rates Summary Brochure on the Shire's website.		
<b>Licence Conditions – Specific Clauses</b>							
155.	Fees to regulator	Clause 4	The licensee must pay the applicable fees in accordance with the Regulations.	4	No fees were payable for the audit period.  Annual fees have also been introduced from 1 January 2015.	NP	NR
156.	Compliance generally	Clause 5.1	Subject to any modifications or exemptions granted pursuant to the Act, the licensee must comply with any applicable legislation.	2	The auditor reviewed compliance with the Water Services Act 2012 and the Water Services Regulations 2013 as per obligations listed in this audit report and concluded that the Shire generally complies with the Water Services Act 2012 and the Water Services Regulations 2013 except for the issues noted in this report.	B	2
157.		Clause 5.2	The licensee must comply with any code of practice made by the Minister to the extent it applies to the licensee.	2	No Codes of Practice have been issued by the Minister.	N/A	N/A

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
158.		Clause 5.3	The licensee must comply with any code of conduct made by the Authority to the extent it applies to the licensee and is not inconsistent with the terms and conditions of the licence.	2	The auditor reviewed compliance with Code of Conduct as per obligations listed in this audit report, and concluded that the licensee generally complies with Code of Conduct with the exception of non-compliances noted as in this audit. <i>Refer recommendations 03/2014 to 05/2014.</i>	B	2
159.		Clause 5.4	The licensee must comply with a direction from the Authority in relation to a breach of applicable legislation.	2	Confirmed by reference to the Authority's website that no Rectification Notice has been issued to the Shire by the Authority.	NP	NR
160.	Compliance with Accounting Standards	Clause 12	The licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.	2	The auditor reviewed the audited Shire's Financial Report for the year ended 30 June 2013 and confirmed compliance.	A	1
161.	Compliance with performance standards	Clause 13.1	The licensee must comply with any individual performance standards prescribed by the Authority.	2	There are currently no individual performance standards set out in Schedule 3 of the Shire's licence WL20, Version 3, dated 18 November 2013. Under the previous licence that was in operation until 17 November 2013, the services and performance standards were set out in Schedule 4. The auditor reviewed the Shire's Performance Reports for the years ending 30 June 2012, 2013 and 2014 and confirmed that the Shire has complied with all services and performance standards as set out in Schedule 4 of the previous licence. The auditor reviewed the underling information recording systems such as incident reports, complaints register and confirmed the accuracy and completeness of the data.	A	1

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
162.	Operational audit	Clause 14.4	The licensee must cooperate with the independent expert and comply with the Authority's standard audit guidelines dealing with the operational audit.	2	This audit/review is designed in accordance with the Audit Guidelines.	A	1
163.	External administration	Clause 15.1(a), (b), (c)	The licensee must report to the Authority, in the manner prescribed, if a licensee is under external administration or there is a material change in the circumstances upon which the licence was granted which may affect a licensee's ability to meet its obligations.	2	The auditor confirmed by interview and review of the audited Shire's Financial Report for the year ended 30 June 2013 that there is no external administration.	NP	NR
164.	Advise Authority of major or general works	Clause 15.1(d)	The licensee must report to the Authority within 10 business days of providing or undertaking water service works that are major works or general works.	2	<p>The auditor was advised by the Shire's EHO that there was a new subdivision of 10 new blocks completed in 2013. As this occurred prior to the new licence from 18 November 2013 this was not required to be reported to the Authority.</p> <p>The Shire's EHO confirmed there were no other water service works from 18 November 2013 that were reportable.</p> <p>However, the requirement to report to the Authority within 10 business days of providing or undertaking water service works that are major works or general works is not stated in internal procedures or in a Compliance Schedule.</p> <p><i>Refer recommendation 08/2014 and 09/2014</i></p>	D	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
165.	Provision of information to Authority	Clause 16.1	The licensee must provide the Authority any information that the Authority may require in connection with its functions under the Act in the time, manner and form specified by the Authority.	2	<p>In accordance with the Water Compliance Reporting Manual April 2014, the Shire is required to submit to the Authority:</p> <ul style="list-style-type: none"> <li>• Annual performance reports no later than 31 July for the reporting year ending 30 June; and</li> <li>• Annual compliance reports by 31 August for the year ending 30 June.</li> </ul> <p>The auditor reviewed the Shire's correspondence with the Authority and the Compliance and Performance Reports for 2011/12, 2012/13, 2013/14 and noted the following exceptions:</p> <ul style="list-style-type: none"> <li>• The 2011/12 Compliance Report was submitted on 2 October and therefore after the due date. This was not reported as non-compliance in 2012/13 Compliance Report.</li> <li>• The 2012/13 Compliance Report also omitted a non-compliance regarding the failure to provide updated post-audit implementation plan by the requested date which constituted a contravention of clause 21.1 of the licence Version 2 during the 2012/13 reporting period.</li> <li>• The 2012/13 Performance Report as well as 2012/13 Compliance Report were submitted after the due date. The late submission of 2013 Performance Report was not reported as contravention of clause 20.1 of the licence Version 2 in the 2013/14 Compliance Report.</li> </ul> <p><i>Cont'd...</i></p>	C	2

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
					<p>In addition to the reporting requirements under the Water Compliance Reporting Manual April 2014, the Shire is also required to submit to the Authority updates on post-audit implementation plan by the requested date. The auditor reviewed the correspondence between the Authority and the Shire and noted that Notice of Contravention of clause 21.1 of the licence Version 2 was issued by the Authority to the Shire on 3 March 2013 in respect of failure to provide the updated post-audit implementation plan by the requested date. Subsequent to the Notice, the Shire submitted the updated plan to the Authority the same day. As noted above, this contravention of the licence was not included in 2012/13 Compliance Report.</p> <p><u><i>Recommendation 06/2014</i></u></p> <ol style="list-style-type: none"> <li><i>The Shire should ensure that all future Compliance and Performance Reports are submitted to the Authority within the timeframes required.</i></li> <li><i>The Shire should ensure that all future updated post-audit and post-review implementation plans are submitted to the Authority by the requested dates.</i></li> </ol> <p>The Shire's staff were unable to locate the Shire's Compliance Deadlines Schedule that was in place during the previous audit period. Therefore, the Shire has no hardcopy record of compliance activities and due dates to comply with the licence.</p> <p><u><i>Refer recommendation 09/2014</i></u></p>		

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
166.	Compliance reporting to Authority	Clause 16.2	The licensee must comply with any information reporting requirements prescribed by the Authority, including but not limited to the provisions of the <i>Water Compliance Reporting Manual</i> that apply to the licensee.	2	<p>As per item 165, the auditor reviewed the licensee's correspondence with the Authority and licensee's Compliance and Performance Reports for the years ending 30 June 2012, 2013 and 2014 and noted exceptions as to the time and manner with the information reporting requirements prescribed by the <i>Water Compliance Reporting Manual</i>. Refer recommendation 06/2014.</p> <p>Section 9.3.2.3 of the Audit and Review Guidelines: Water Licenses July 2014 states that Authority expects licensees to maintain a compliance (or breach) register in respect of their licence conditions. The Shire's CEO advised that they don't keep a compliance register. Therefore the auditor was unable to determine whether the compliance reports sent to the Authority during the audit period are consistent with the compliance register.</p> <p><u>Recommendation 07/2014</u></p> <p><i>The Shire should maintain a compliance breach register in respect of their licence conditions to ensure that all contraventions of the licence conditions for each financial year are reported to the Authority in the annual Compliance report.</i></p>	C	2



No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
167.	Performance reporting to Authority	Clause 16.3	The licensee must provide the Authority with the data required for performance reporting purposes that is specified in <i>Water Compliance Reporting Manual</i> , and the National Performance Framework that apply to the licensee.	2	The auditor reviewed the Shire's correspondence with the Authority and Shire's Performance Reports for the years ending 30 June 2012, 2013 and 2014 and confirmed the Shire provided the Authority with the data required for performance reporting purposes in the format required, however noted exceptions as to the time with the information reporting requirements prescribed by the Water Compliance Reporting Manual.  <i>Refer recommendation 06/2014.</i>	C	2
168.	Publishing information	Clause 17.2	Subject to clause 17.3, the licensee must publish within the specified timeframe any information that the Authority has directed the licensee to publish under clause 17.1.	2	Reviewed correspondence with the Authority in the audit period and confirmed that in the audit period the Shire was not directed by the Authority to publish any information.	NP	NR
169.	Notices in writing	Clause 18.1	Unless otherwise specified, all notices must be in writing.	2	Reviewed correspondence with the Authority in the audit period and confirm compliance. All correspondence observed was in hardcopy letter or email.	A	1
170.	Notify Authority of asset management system (AMS)	Clause 20.1	The licensee must provide for, and notify the Authority of, an asset management system within the specified time unless otherwise notified by the Authority.	2	The Authority has been notified of and has approved the asset management system as part of the licence approval.	N/A	N/A

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
171.	Notify Authority of material change to AMS	Clause 20.2	The licensee must notify the Authority of any material change to the asset management system within 10 business days of the change.	2	<p>The requirement to notify the Authority of any significant changes to the asset management system, within 10 business days, is not documented in the Shire's Asset Management Plan nor in any other Shire's internal document e.g. Compliance Schedule.</p> <p>The audit noted that the person responsible for the AMS (the former EHO) left the Shire in January 2013 and no-one was appointed to take responsibility for the AMS until November 2014. Also electronic versions of the AMP and other schedules appear to have been lost by the Shire. The fact that these issues were not identified and reported to the Authority is a breach of section 24(1)(b) of the Act.</p> <p><i>Refer recommendation 01/2014.</i></p>	D	4
172.	Asset Management System Review	Clause 20.6	The licensee must cooperate with the independent expert and comply with the Authority's standard guidelines dealing with the asset management system review.	2	This review is being undertaken in accordance with the Audit and Review Guidelines.	A	1
173.	Ombudsman scheme	Clause 21.1	The licensee must not supply water services to customers unless the licensee is a member of and bound by the water services ombudsman scheme.	2	Confirmed by interview with the Shire's EHO and review of the correspondence between the licensee and the Energy and Water Ombudsman (WA) Limited that the licensee is a member of the Water Services Ombudsman Scheme.	A	1
174	Customer contract	Clause 22.1	Subject to the Act and the terms of a customer contract that apply to the water service, the licensee must supply water services in accordance with the terms and conditions set out in Schedule 4 (if any).	2	There is currently no customer contract in place between the Shire and customers.	NP	NR
175.		Clause 23.1	If directed by the Authority, the licensee must submit a draft customer contract for approval.	2	As per item 174.	NP	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
176.		Clause 23.2	The licensee must comply with any <i>Customer Contract Guidelines</i> that apply to the licensee.	2	As per item 174.	NP	NR
177.		Clause 23.3	The licensee may only amend the customer contract with the Authority's approval.	2	As per item 174.	NP	NR
178.		Clause 23.6	The licensee must comply with any direction by the Authority to amend the customer contract.	2	As per item 174.	NP	NR
179.		Clauses 24.1 and 24.2	Unless clause 24.3 applies, the licensee cannot enter into an agreement with a customer to provide water services that exclude, modify or restrict the terms and conditions of the licence or the requirements of the <i>Customer Services Code</i> without the prior approval of the Authority.	2	As per item 174.	NP	NR
180.		Clause 24.4	If the licensee enters into an agreement that excludes, modifies or restricts the terms and conditions of the licence or the requirements of the <i>Customer Services Code</i> , the licensee must publish an annual report containing the information specified.	2	As per item 174.	NP	NR
181.	Obligations of supplier of last resort	Clause 25.1	If the licensee is appointed as the supplier of last resort for a designated area, the licensee must perform the functions of a supplier of last resort, comply with the duties imposed by the Act and carry out its operations under or for the purpose of the last resort plan in accordance with the Act.	2	The auditor confirmed with the Shire's EHO that the Shire was not appointed as a supplier of last resort.	N/A	N/A
182.	No services outside operating area	Clause 28.1(b)	If the licensee provides a water service outside of the operating area the licensee must apply to amend the licence unless otherwise notified by the Authority.	2	The auditor confirmed by interview with the Shire's EHO, review of Asset Management System documentation and drawings and observation that the Shire does not provide a water service outside of the operating area set out in Plan Number: OWR-OA-037(C).	N/A	N/A

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
183.	Financial hardship Policy guidelines	Clause 30.3	The licensee must comply with the Authority's Financial Hardship Policy Guidelines as they apply to the licensee.	2	The licensee's Financial Hardship Policy was approved by the Authority on 16 May 2014, as per Authority's Decision – Water Financial Hardship Policies dated 16 May 2014. In its decision, the Authority was satisfied the licensee's FHP meets the relevant requirements of the Water Act, Code and Guidelines.	A	1
190.	Service and performance standards (if applicable)	Schedule 3	The licensee must comply with the service and performance standards as set out in Schedule 3.	3	<p>There are currently no service and performance standards set out in Schedule 3 of the Shire's licence WL22, Version 3, dated 18 November 2013.</p> <p>Under the previous licence that was in operation until 17 November 2013, the services and performance standards were set out in Schedule 4. The auditor reviewed the Shire's Performance Reports for the years ending on 30 June 2012, 2013 and 2014 and confirmed that the Shire has complied with all services and performance standards as set out in Schedule 4 of the previous licence.</p> <p>The auditor reviewed the underling information recording systems such as incident reports, complaints register and confirmed the accuracy and completeness of the data.</p>	A	1

## 2.7 Current Audit Non-Compliances and Recommendations

Table of Current Audit Non- Compliances and Recommendations			
A. Resolved during current audit period			
Manual Reference	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating/Details)	Date Resolved (& management action taken)	Auditor's Comments
	Nil		
B. Unresolved at end of current audit period			
Reference (no./year)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating//Details)	Auditor's Recommendation	Management Action taken by end of audit period
01/2014	<p><b>Notification of Changes to Asset Management System</b>  <i>Water Services Act 2012 sections 24(1)(b).</i>  <i>Licence condition – Specific Clauses – Clauses 15(1)(d) and 20(2).</i>  <b>Non-compliant – major impact</b></p> <p>The asset management system comprises of the Asset Management Plan, the related schedules, the IT system supporting the AMS and the people that manage the AMS.</p> <p>The requirement to notify the Authority of any significant changes to the asset management system, within 10 business days, is not documented in the Shire's Asset Management Plan nor in any other Shire's internal document e.g. Compliance Schedule.</p> <p>The audit noted that the person responsible for the AMS (the former EHO) left the Shire in January 2013 and no-one was appointed to take responsibility for the AMS until November 2014. Also electronic versions of the AMP and other schedules appear to have been lost by the Shire. The fact that these issues were not identified and reported to the Authority is a breach of section 24(1)(b) of the Act.</p> <p><i>Also refer recommendation 09/2014 below re lack of a Compliance Schedule.</i></p>	<ol style="list-style-type: none"> <li>1. The Shire should ensure that the Authority is notified about any future significant changes to the asset management system within 10 business days.</li> <li>2. The Shire should update the Asset Management Plan – Monitoring and Review Procedures section for the requirement to notify the Authority of any significant changes to the asset management system within 10 business days.</li> <li>3. The Shire should update the Asset Management Plan – Monitoring and Review Procedures section for the requirement to notify the Authority of any significant changes to the asset management system within 10 business days.</li> <li>4. The Shire should ensure that there is adequate staffing for the maintenance of asset management system.</li> <li>5. The Shire should ensure that complete documentation of the AMS is retained by the Shire when contracted resources are utilised.</li> </ol>	Nil

Reference (no./year)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating/Details)	Auditor's Recommendation	Management Action taken by end of audit period
02/2014	<p><b>Timeliness of Connections</b>  <i>Water Services Code of Conduct (Customer Service Standards) 2013 Clause 8</i>  <b>Non-compliant – minor impact</b></p> <p>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.</p> <p>Reviewed Performance Reports for 2011/12, 2012/13 and 2013/14 and noted that 4 new properties were connected to the scheme in 2013/14. The Shire could not provide evidence that 90% of new connections in 2013/14 were completed within the timeframes required. Therefore, this needs to be treated as a non-compliance with this provision of the Code.</p> <p>The Shire's EHO also advised that a new subdivision of 10 blocks have been completed in 2013. However there were no properties constructed to date on this block of land and no fees were collected in relation to this subdivision.</p> <p>The requirement for timeliness of connections is not documented in the Shire's Asset Management Plan nor in any other Shire's internal document e.g. Compliance Schedule.</p>	<ol style="list-style-type: none"> <li>1. 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.</li> <li>2. The Shire should update the Asset Management Plan - Levels of Service section for the requirement that, in any 12 month period, 90% of connections must be completed before the end of 10 business days of a customer paying the relevant fees and complying with the relevant requirements.</li> </ol>	Nil
03/2014	<p><b>Review of Rates Notices with Sewerage Charges</b>  <i>Water Services Code of Conduct (Customer Service Standards) 2013 Clause 18(1) – 18(5)</i>  <b>Non-compliant – minor impact</b></p> <p>The licensee must have a written procedure for the review of a bill on the customer's request.</p> <p>The Shire does not have a written procedure for review of a bill on the customer's request.</p> <p>The Shire's staff advised that no request for review of the</p>	<ol style="list-style-type: none"> <li>1. The Shire should develop a written procedure for review of bills (rates notices with sewerage charges).</li> <li>2. The procedure should be made publicly available on the Shire's website and in hardcopy.</li> <li>3. The procedure should include: <ol style="list-style-type: none"> <li>a) what happens if the customer has been undercharged or overcharged;</li> <li>b) what the customer can do if dissatisfied with the outcome of the review</li> </ol> </li> </ol>	Nil

Reference (no./year)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating//Details)	Auditor's Recommendation	Management Action taken by end of audit period
	rates notices relating to sewerage charges had been received during the audit period.	<ul style="list-style-type: none"> <li>c) that the customer may, but does not have to, use the licensee's complaints procedure before or instead of applying to the Water Services Ombudsman or making an appeal from, or applying for a review of, the decision that gave rise to the complaint, to the State Administrative Tribunal.</li> <li>d) That the licensee must inform the customer of the outcome of a review of the customer's bill as soon as practicable or otherwise less than 15 business days from the day the customer's request for review was received.</li> </ul>	
04/2014	<p><b>Complaints Procedure</b></p> <p><i>Water Services Code of Conduct (Customer Service Standards) 2013 Clause 35(4) &amp; (6)</i></p> <p><i>Non-compliant – minor impact</i></p> <p>The Shire's complaints handling procedure as outlined in the Shire's Compliments and Feedback Brochure does not inform the customer that they do not have to use the licensee's complaints procedure, provide details of procedures under the Act, and set out the costs and benefits to the customer if the use the complaint resolution procedure or instead of the procedures under the Act.</p> <p>The Shire's Compliments and Feedback Brochure is not publicly available. Although, the Brochure was observed to be displayed at the Shire's office, the auditor was unable to locate the Shire's Compliments and Feedback Brochure on the Shire's website.</p>	<ul style="list-style-type: none"> <li>1. The Shire should update its complaints handling procedure in the Compliments and Feedback Brochure to: <ul style="list-style-type: none"> <li>a) state that a customer may, but does not have to, use the complaints procedure before or instead of the procedures under the Act i.e. applying to the Water Services Ombudsman or making an appeal from, or applying for a review of, the decision to the State Administrative Tribunal;</li> <li>b) in addition to an option of applying to the Water Services Ombudsman, list the option of making an appeal from, or applying for a review of, the decision that gave rise to the complaint to the State Administrative Tribunal; and</li> <li>c) set out the benefits to the customer, in relation to time and costs, if the customer chooses to use the complaints procedure chooses to use the complaints procedure before or instead of the procedures under the Act i.e. Water Services Ombudsman or State Administrative Tribunal.</li> </ul> </li> <li>2. The Shire should publish its Compliments and Feedback Brochure on its website.</li> </ul>	Nil

Reference (no./year)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating/Details)	Auditor's Recommendation	Management Action taken by end of audit period
05/2014	<p><b>Prescribed Information to be Available in Hardcopy and on Website</b></p> <p><i>Water Services Code of Conduct (Customer Service Standards) 2013 Clause 37(1)</i></p> <p><i>Non-compliant – minor impact</i></p> <p>The licensee must make the prescribed information publicly available. The definition of “publicly available” per Clause 3 of the Water Services Code of Conduct is website and hardcopy.</p> <p>The hardcopy annual Rates Notice contains information about fees and charges, bill payment methods and the fees and charges associated with each option, and the exemptions, discounts, rebates and concessions that are available to customers.</p> <p>The hardcopy annual Your Rates Summary Brochure that is being forwarded to each customer together with the annual Rate Notice also contains information about fees and charges, bill payment methods and the exemptions, however the Brochure is silent on the fees and charges associated with each payment option and on discounts, rebates and concessions that are available to customers.</p> <p>The Shire's website provides information only on payment options that are available to customers.</p> <p>The licensee is also required to make publicly available information about the services provided by the licensee under clause 36(1) of the Code. The auditor was unable to locate information about provision of these services in hardcopy or on the Shire's website.</p>	<ol style="list-style-type: none"> <li>The Shire should update the annual Your Rates Summary Brochure to provide information on: <ol style="list-style-type: none"> <li>fees and charges associated with each bill payment option offered;</li> <li>discounts, rebates and concessions that are available to customers; and</li> <li>services provided by the stipulated in clause 36(1) of the Code.</li> </ol> </li> <li>The Shire should publish the annual Your Rates Summary Brochure on the Shire's website.</li> </ol>	Nil
06/2014	<p><b>Performance and Compliance Reporting</b></p> <p><i>Licence Conditions – Specific Clauses – Provision of Information Clauses 16(1)(2) &amp; (3)</i></p> <p><i>Non-compliant – minor impact</i></p> <p>In accordance with the Water Compliance Reporting Manual April 2014, the Shire is required to submit to the Authority:</p> <ul style="list-style-type: none"> <li>Annual performance reports no later than 31 July for the reporting year ending 30 June; and</li> </ul>	<ol style="list-style-type: none"> <li>The Shire should ensure that all future Compliance and Performance Reports are submitted to the Authority within the timeframes required.</li> <li>The Shire should ensure that all future updated post-audit and post-review implementation plans are submitted to the Authority by the requested dates.</li> </ol>	Nil



Reference (no./year)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating//Details)	Auditor's Recommendation	Management Action taken by end of audit period
	<ul style="list-style-type: none"> <li>Annual compliance reports by 31 August for the year ending 30 June.</li> </ul> <p>The auditor reviewed the Shire's correspondence with the Authority and the Compliance and Performance Reports for 2011/12, 2012/13, 2013/14 and noted the following exceptions:</p> <ul style="list-style-type: none"> <li>The 2011/12 Compliance Report was submitted on 2 October and therefore after the due date. This was not reported as non-compliance in 2012/13 Compliance Report.</li> <li>The 2012/13 Compliance Report also omitted a non-compliance regarding the failure to provide updated post-audit implementation plan by the requested date which constituted a contravention of clause 21.1 of the licence Version 2 during the 2012/13 reporting period.</li> <li>The 2012/13 Performance Report as well as 2012/13 Compliance Report were submitted after the due date. The late submission of 2013 Performance Report was not reported as contravention of clause 20.1 of the licence Version 2 in the 2013/14 Compliance Report.</li> </ul> <p>In addition to the reporting requirements under the Water Compliance Reporting Manual April 2014, the Shire is also required to submit to the Authority updates on post-audit implementation plan by the requested date. The auditor reviewed the correspondence between the Authority and the Shire and noted that Notice of Contravention of clause 21.1 of the licence Version 2 was issued by the Authority to the Shire on 3 March 2013 in respect of failure to provide the updated post-audit implementation plan by the requested date. Subsequent to the Notice, the Shire submitted the updated plan to the Authority the same day. As noted above, this contravention of the licence was not included in 2012/13 Compliance Report.</p>		

Reference (no./year)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating/Details)	Auditor's Recommendation	Management Action taken by end of audit period
07/2014	<p><b>Compliance Register</b></p> <p><i>Licence Conditions – Specific Clauses – Provision of Information Clause 16.2</i></p> <p><i>Non-compliant – minor impact</i></p> <p>Section 9.3.2.3 of the Audit and Review Guidelines: Water Licenses July 2014 states that Authority expects licensees to maintain a compliance (or breach) register in respect of their licence conditions. The Shire's CEO advised that they don't keep a compliance breach register.</p>	<p>The Shire should maintain a Compliance Breach register in respect of their licence conditions to ensure that all contraventions of the licence conditions for each financial year are reported to the Authority in the annual compliance report.</p>	Nil
08/2014	<p><b>Internal Policies and Procedures relating to the Licence</b></p> <p><i>Water Services Act 2012 sections 82(4)&amp;(5), 84(2), 87(2), 90(7), 119(2), 122(2), 128(4), 142, 143(2)&amp;(3), 144(3), 145(2), 147(3)&amp;(4), 151(1)-(3), 153(3), 165(5)&amp;(6), 170, 173(4), 174(1)&amp;(3), 175(2)&amp;(5), 176(1),(3)&amp;(4), 181, 186, 187(1)-(3), 190(4)-(5), 218(2).</i></p> <p><i>Water Services Regulations 2013 – Reg. 85.</i></p> <p><i>Water Services Code of Conduct (Customer Service Standards) 2013 Clauses 16(2)-(5), 17(1)-(2).</i></p> <p><i>Licence clause 15.1(d)</i></p> <p><i>Not rated</i></p> <p>The licence includes compliance obligations in respect of notification of building works, 48 hours' notice of intention to commence works, decisions under review, compliance notice and consultation with owner, information on compliance notice, actions on persons named in compliance notice, lodgement of memorial, acquiring interest in land, proposal for major works, minimising damage when undertaking works, issuance of compliance notices, under and over charges, and informing the Authority within 10 days of major and general works.</p> <p>The audit confirmed the above activities had not occurred in the audit period. However, there are no documented internal procedures that would ensure compliance with</p>	<p>The Shire should develop and/or update internal procedures with the requirements under the licence in respect of notification of building works, 48 hours' notice of intention to commence works, decisions under review, compliance notice and consultation with owner, information on compliance notice, actions on persons named in compliance notice, acquiring interest in land, lodgement of memorial, proposal for major works, minimising damage when undertaking works, issuance of compliance notices, under and over charges, and informing the Authority within 10 days of major and general works.</p> <p>The detailed compliance obligations listed in this report could be used as a reference.</p>	Nil

Reference (no./year)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating//Details)	Auditor's Recommendation	Management Action taken by end of audit period
	these conditions of the licence in future.		
09/2014	<p><b>Compliance Schedule</b></p> <p><i>Water Services Act 2012 sections 24(1)(b).</i></p> <p><i>Water Services Code of Conduct (Customer Service Standards) 2013 Clauses 26(6).</i></p> <p><i>Licence condition – Specific Clauses – Clauses 15(1)(d), 16(1) and 20(2).</i></p> <p><i>Not rated</i></p> <p>The Shire's staff was unable to locate the Shire's Compliance Deadlines Schedule that was in place during the previous audit period.</p> <p>Therefore, at present the Shire has no hardcopy record of compliance activities and due dates to comply with the licence.</p>	<ol style="list-style-type: none"> <li>1. The Shire should develop and implement a Compliance Schedule documenting the compliance activities, responsibilities and due dates including the annual performance and compliance reporting due dates; the requirement to review the financial hardship policy and the next policy review due date; the requirement to notify the Authority of any significant changes to the asset management system within 10 business days, notifying the Authority of any major or general water service works within 10 business days, the requirement for timeliness of connections etc. to ensure regulatory timeframes are met.</li> <li>2. The Shire should place the hardcopy Compliance Schedule on the front of the hardcopy Licence file.</li> </ol>	Nil

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## 2.8 Conclusion

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

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

- a) complied with its licence obligations during the audit period from 1 December 2011 to 30 November 2014 with the exception of:
  - the Shire did not advise the Authority of a material change to the asset management system in respect of the previous EHO leaving the Shire in January 2013 and not being replaced until November 2014 (as required by clause 20.2 of the licence);
  - no evidence was provided by the Shire to prove that 90% of four new connections in 2013/14 were completed within the timeframes required. Therefore, without any evidence to the contrary, this needs to be treated as a non-compliance with the *Water Services Code of Conduct (Customer Service Standards) 2013*.
  - the Shire does not have a written procedure for review of a bill on the customer's request as required under the *Water Services Code of Conduct (Customer Service Standards) 2013*.
  - the Shire's complaints handling procedure in the Compliments and Feedback Brochure does not contain all the information required under the *Water Services Code of Conduct (Customer Service Standards) 2013* and is not publicly available at the Shire's website.
  - some of the "prescribed information" under the *Water Services Code of Conduct (Customer Service Standards) 2013* is not publicly available (enquiry/translator services, powers of access to premises, interruptions to supply, etc.).
  - Compliance and Performance reports are not always submitted by the due dates, there is no Compliance Breach Register and late reports are not being included as non-compliances in the compliance reporting to the Authority.
- b) not implemented any of the 3 recommended actions from the previous audit. The following recommendation had not yet been implemented:
  - note in the Compliance Schedule the required timeframes for notification of changes to asset management system to the Authority to ensure regulatory timeframes are met.
  - update the Asset Management Plan – Monitoring and Review Procedures section for the requirement to notify the Authority of any significant changes to the asset management system within 10 business days; and
  - ensure that annual Compliance reports are submitted by the due date.
- c) not maintained an adequate control environment for ongoing compliance due to the lack of staffing and various control weaknesses and non-compliances noted in this report.
- d) maintained the data integrity of reporting to the Authority and the Department of Health apart from the exceptions noted above.

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The audit recommended that the Shire:

- ensure that the Authority is notified about any future significant changes to the asset management system within 10 business days and updates the Asset Management Plan for the requirement to notify the Authority within 10 days.
- develop a written procedure for review of bills and make it publicly available on the Shire's website and in hardcopy;
- update the complaints handling procedure in the Compliments and Feedback Brochure to include the details required by the *Water Services Code of Conduct (Customer Service Standards) 2013* and make it available on the Shire's website;
- ensure that all future Compliance, Performance Reports and updated post-audit and post-review implementation plans are submitted to the Authority within the timeframes required;
- maintain a Compliance Breach register in respect of the licence;
- ensure the timeliness of connections requirement is complied with and update the Asset Management Plan for the timeliness of connections requirement;
- update the annual "Your Rates Summary Brochure" to provide information on fees and charges associated with each bill payment option offered; on discounts, rebates and concessions that are available to customers; and on services provided by the stipulated in clause 36(1) of the Code; and publish the brochure on the Shire's website;
- develop and/or update internal procedures with the requirements under the licence in respect of notification of building works, 48 hours' notice of intention to commence works, decisions under review, compliance notice and consultation with owner, information on compliance notice, actions on persons named in compliance notice, lodgement of memorial, acquiring interest in land, proposal for major works, minimising damage when undertaking works, issuance of compliance notices, under and over charges, and informing the Authority within 10 days of major and general works; and
- develop and implement a Compliance Schedule documenting the compliance activities, responsibilities and due dates.

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### 3. Asset Management System Review

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#### 3.1 Objectives and Scope

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

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

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

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

- **Asset Planning** - high inherent risk.
- **Environmental Analysis** – high inherent risk.
- **Contingency Planning** - high inherent risk and previous review noted no formal contingency plans and testing.

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

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

### 3.2 Asset Management Process and Performance Rating Scales

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

#### Asset management process and policy definition - Adequacy ratings

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

#### Asset Management Performance ratings

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

### 3.3 Status of Previous Review Recommendations

Table of Previous Review Ineffective Components Recommendations				
Reference (no./year)  Compliance rating	Effectiveness Criteria/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details of further action required. (Including current recommendation ref. if applicable)
A. Resolved before end of previous review period				
	Nil			
B. Resolved during current review period				
	Nil			
C. Unresolved at end of current review period				
01/2011 C3	<p><b>Contingency Planning</b></p> <p><i>Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.</i></p> <p>Key staff have an understanding of unwritten procedures, such as the calling of a plumber in the case of a pipe blockage, or an electrician in the case of a pump failure.</p> <p>However, a formal Contingency Plan has not been developed.</p> <p>The Asset Management Plan has an action item to develop a contingency plan for sewerage overflows by October 2011.</p>	<p>a) Based on the risk assessment in the AMP, a set of contingency plans or emergency procedures should be developed by the Shire to cover situations identified in the risk assessment as being a major or significant risk. For example bushfire affecting ponds or reticulation equipment; reticulation pump or electrical failure; extreme rainfall events/water overflows from the ponds; pipeline burst or blockages etc.</p> <p>The contingency plans should include:</p> <ul style="list-style-type: none"> <li>○ Detailed procedures</li> <li>○ Key local contact details – name, number and location</li> <li>○ Communication protocols</li> <li>○ Specifications, location and availability of emergency equipment</li> <li>○ Authorities that need to be</li> </ul>	-	<p>Yes – further action is required to develop the contingency plan</p> <p><i>Refer recommendation 17/2014</i></p>



Table of Previous Review Ineffective Components Recommendations				
Reference (no./year)  Compliance rating	Effectiveness Criteria/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details of further action required. (Including current recommendation ref. if applicable)
		<p>contacted and when.</p> <p>b) Once developed, the contingency plans should be reviewed and tested on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency.</p>		
02/2011 A2	<p><b>Review of Asset Management System</b></p> <p><i>A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.</i></p> <p>The back page of the AMP contains a Document /Report Control Form that outlines the revision number, the author, the reviewer, and who approved the AMP for issue and when. The table notes that the AMP was approved for issue on 25/3/11. There were no further revisions carried out. The users of the AMP could benefit from a brief description of changes to the document from the previous version.</p>	Modify the "Document Status" table to include a brief description of changes to the document from the previous version.		<p>Yes – further action is required to review and update the AMP and accompanying Excel spreadsheets including modification of the "Document Status" table to include a brief description of changes to the document from the previous version.</p> <p><i>Refer recommendation 17/2014</i></p>

### 3.4 Summary of Asset Management System Effectiveness Ratings

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

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

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

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

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

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

### 3.5 Review Observations and Recommendations

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
<b>1</b>	<b>ASSET PLANNING</b>	Process Rating <sup>7</sup>	<b>B</b>	Performance Rating <sup>8</sup>	<b>3</b>
1.1	Asset management plan covers key requirements.	<p>The Shire of Lake Grace Asset Management Plan (AMP) – February 2011 was sighted. No other more recent updates of the AMP were available for review.</p> <p>The AMP appears comprehensive, with sections that set out Levels of Service, Risk Management, Asset Management Practices, Lifecycle and Financial Management. It is concluded that the AMP is an adequate base document for the Lake Grace Sewerage scheme.</p> <p>The reviewer was satisfied that the Shire's AMP covers the key requirements, although a review and update of the AMP and accompanying Excel spreadsheets is required to bring it up to date.</p> <p><i>Refer recommendation 20/2014</i></p>			
1.2	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	<p>The Shire of Lake Grace Asset Management Plan – February 2011 (AMP) includes the following mission statement: <i>"The mission of the Shire of Lake Grace in providing this service is to provide cost effective wastewater collection, treatment and disposal services for the town of Lake Grace, which meets community expectations for health and environmental management"</i>.</p> <p>The Levels of Service requirements for customers are detailed in the Customer Service Charter.</p> <p>Additionally, the levels of service and performance parameters have been defined in the AMP.</p>			
1.3	Service levels are defined.	The levels of service and performance parameters have been defined in the AMP. Performance is measured in performance reports to the Authority.			
1.4	Non-asset options (e.g. demand management) are considered.	The assets are considered appropriate for the current levels of demand.			
1.5	Lifecycle costs of owning and operating assets are assessed.	<p>The Financial Planning Excel spreadsheet (dated 16 November 2011) includes the lifecycle costs of owning the assets, including projection of income until 2020 and projections on operations and maintenance, administration and capital expenditure requirements of the scheme until 2060 based on the adopted 50 years life of the scheme.</p> <p>An annuity provision of \$64,928 is required for the operation and maintenance of the scheme and an annuity</p>			

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

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

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		provision of \$57,704 is required for the replacements of assets at the end of their economic life.
1.6	Funding options are evaluated.	<p>The Shire maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Lake Grace Sewerage Schemes.</p> <p>The Shire has a specified area rating which is applied to all properties connected or capable of being connected to the sewerage scheme in Lake Grace town site. The purpose of this rate is to offset the cost of the sewerage treatment, including operation, maintenance, administration, depreciation and loan repayments.</p> <p>The Shire of Lake Grace Budget 2014/2015 indicates that the Shire has enough rates income for the sewerage and effluent re-use scheme to cover the operational, maintenance and capital costs of replacement over the life of the scheme. The current revenues from sewerage rates are projected to \$130,913 (2014/15 rates) which is sufficient to cover operations and maintenance annuity provision of \$64,928 as well as annuity provision of \$57,704 for replacements of assets (as per Financial Planning Excel spreadsheet). The surplus on operations is to be transferred to the sewerage reserve.</p> <p>The Lake Grace Sewerage Scheme is budgeted to have a balance of \$529,270 which covers the annuity provision for the operation, maintenance and capital replacement costs estimated at \$514,201 for the five years to 2014/15.</p>
1.7	Costs are justified and cost drivers identified.	<p>The Financial Planning Excel spreadsheet (dated 16 November 2011) includes the lifecycle costs of owning the assets, including projection of income until 2020 and projections on operations and maintenance, administration and capital expenditure requirements of the scheme until 2060 based on the adopted 50 years life of the scheme. Demand is stable.</p>
1.8	Likelihood and consequences of asset failure are predicted.	<p>The analysis assumes that assets will be replaced at the end of their standard economic life. Assets are given a condition rating and an importance rating in the AMP as a form of risk assessment.</p> <p>However, the latest version of the Risk Assessment worksheet was dated 16 November 2011. Therefore, the reviewer concluded that the probability and consequences of asset failure are not being regularly assessed.</p> <p><i>Refer recommendation 16/2014</i></p>
1.9	Plans are regularly reviewed and updated.	<p>The Shire of Lake Grace Asset Management Plan (AMP) – February 2011 was sighted. No other more recent updates of the AMP were available for review.</p> <p>The Monitoring and Review Procedures section of the AMP notes that AMP should be revised at least every five years and when any significant changes occur. The maintenance and capital investment plans shall be revised annually, however these have not been reviewed since November 2011.</p> <p>A review and update of the AMP and accompanying Excel spreadsheets is required to bring it up to date.</p>

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<i>Refer recommendation 20/2014</i>			
2	<b>ASSET CREATION/ ACQUISITION</b>	Process Rating	B	Performance Rating	2
2.1	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	There were no new assets apart from a new subdivision of 10 blocks in 2013. Apart from this, the AMP only includes replacement of existing assets as they reach the end of their life.			
2.2	Evaluations include all life-cycle costs.	The Shire evaluated the life-cycle costs of the additional piping and access chambers as part of the overall financial costing of the land development.			
2.3	Projects reflect sound engineering and business decisions.	The land development followed the Shire's normal engineering and business/Council decision process and was considered adequate.			
2.4	Commissioning tests are documented and completed.	There were no new assets that required commissioning tests.			
2.5	Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	<p>Section 2.3 of the AMP outlines the legislative requirements. The Health Act, Environmental Protection and Occupational Health, Safety and Welfare are briefly considered.</p> <p>However, the Legislative Requirements Section of the AMP still refers to the Water Services Act 1995 and the operating licence issued in 2009 and do not reflect the most recent changes to the legislation including Water Services Act 2012, Water Services Regulation 2013 and Water Services Code of Conduct (Customer Service Standards) 2013 as well as changes to the operating licence (new version of the operating licence was issued on 18 November 2013).</p> <p><i>Recommendation 10/2014</i></p> <p><i>The Legislative Requirements Section of the AMP should be updated to reflect the recent changes to the legislative requirements including Water Services Act 2012, Water Services Regulation 2013 and Water Services Code of Conduct (Customer Service Standards) 2013 as well as for the new version of the operating licence issued on 18 November 2013.</i></p>			
3	<b>ASSET DISPOSAL</b>	Process Rating	C	Performance Rating	3
3.1	Under-utilised and under-performing assets are identified as part of a regular systematic review process.	<p>The Shire keeps a record of blockages. The AMP notes that where two blockages occur within a pipe network a twelve month period, the pipe shall be CCTV inspected for root intrusion or pipe failure. There were no blockages during the review period.</p> <p>Any under-performing assets should be identified during the annual planned maintenance checks as well as during the annual asset condition and performance appraisal process. However, as noted in the Asset Maintenance section</p>			



Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		of this report, there is no evidence that routine maintenance is carried out as planned as the latest available record of asset condition appraisal is from October 2010. <i>Refer recommendations 13/2014 and 14/2014</i>			
3.2	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	No disposals are planned other than pump station pumps being replaced as required. Any under-performing assets should be identified during the annual planned maintenance checks as well as during the annual asset condition and performance appraisal process. However, as noted in the Asset Maintenance section of this report, there is no evidence that routine maintenance is carried out as planned as the latest available record of asset condition appraisal is from October 2010. Some of the assets that were observed by the reviewer during the site visit as being in poor condition, were assessed as having a poor condition already in 2010 e.g. the condition of chlorinator was already found to be “Poor” back in 2010 and replacement was recommended as well as the need to repair spalling concrete and removal of a sludge cake from the Imhoff tank. Apparently, no action was taken since 2010 to improve the condition of these assets. <i>Refer recommendation 13/2014</i>			
3.3	Disposal alternatives are evaluated.	According to the AMP, assets at the end of their life will be replaced with a similar capacity and the old asset dumped or recycled for scrap as appropriate.			
3.4	There is a replacement strategy for assets.	The Asset Management Plan records details of the main assets and their replacement costs and expected lives.			
4	ENVIRONMENTAL ANALYSIS	Process Rating	B	Performance Rating	2
4.1	Opportunities and threats in the system environment are assessed.	Opportunities and threats for the system are considered in the AMP and in the risk assessment spreadsheet.			
4.2	Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved.	The Annual Performance Reports for 2011/12, 2012/13 and 2013/14 were sighted. Performance standards have been met with no blockages reported.			
4.3	Compliance with statutory and regulatory requirements.	The Asset Management Plan identifies the following regulatory requirements: <ul style="list-style-type: none"><li>▪ Water Services Licensing Act 1995;</li><li>▪ Local Government Act 1995;</li><li>▪ Environmental Protection Act 1986;</li><li>▪ Occupational Safety and Health Act 1984; and</li></ul>			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<ul style="list-style-type: none"> <li>Water Agencies (Powers) Act 1984.</li> </ul> <p>The EHO and CEO monitor compliance.</p> <p>However, the Legislative Requirements Section of the AMP still refers to the Water Services Act 1995 and the operating licence issued in 2009 and do not reflect the most recent changes to the legislation including Water Services Act 2012, Water Services Regulation 2013 and Water Services Code of Conduct (Customer Service Standards) 2013 as well as changes to the operating licence (new version of the operating licence was issued on 18 November 2013). <i>Refer recommendation 10/2014.</i></p> <p>Also refer section 6.3 re Department of Health's Water Recycling Assessment report issued on 21 April 2015.</p>			
4.4	Achievement of customer service levels.	Compliance reports for 2011/12, 2012/13 and 2013/14 show that customer service levels have been achieved. The Shire's staff advised that there have been no customer complaints. The Complaints register was sighted.			
<b>5</b>	<b>ASSET OPERATIONS</b>	Process Rating	<b>C</b>	Performance Rating	<b>3</b>
5.1	Operational policies and procedures are documented and linked to service levels required.	The Asset Management Plan includes an overview of the operations of the system including sewerage collection system (reticulation and pumping) and sewerage treatment. The manufacturers' operating instructions/manuals are kept and used by Works staff. The procedures include the components of the overall system including sewerage collection system (reticulation and pumping), Wastewater Treatment Plant, disposal of treated sewerage through evaporation to the environment and the effluent re-use storage pond/treatment and reticulation/re-use. The water re-use is not in operation.			
5.2	Risk management is applied to prioritise operations tasks.	<p>The Asset Management Plan includes a risk assessment policy and this has been applied in developing a risk assessment register and the Annual Planned Maintenance program.</p> <p>The risk assessment register and the Annual Planned Maintenance program consider and include various components of the overall system including sewerage collection system (reticulation and pumping), Wastewater Treatment Plant and effluent re-use scheme.</p>			
5.3	Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets'	There are no drawing register or "As Constructed" drawings stored on site. The information within the asset register was extracted from the original construction drawings. Drawings are not available electronically. The AMP provides a summary description of each installation within the scheme. A detailed listing of assets is documented in the Asset Register for the scheme (Excel worksheet).			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
	physical/structural condition and accounting data.	<p>The Asset Register was last updated on 16 November 2011. No more recent updates of the Asset Register were available for review. Therefore, the new subdivision of 10 blocks that was completed in 2013 is not included in the Asset Register.</p> <p>The Asset Register includes construction dates and replacement values for all main asset groups including chambers, pipes, treatment plant, pump station and effluent re-use. The assets are discretely numbered with an alpha-numeric asset number and include the relevant construction material, asset type and descriptions. However, the reviewer noted that some of the relevant fields in the Asset Register are still marked as 'Unknown'.</p> <p>Also, the AMP states that the Shire has collected GPS co-ordinates for all accessible access chambers, however no GPS co-ordinates for any asset are recorded in the Asset Register.</p> <p>The record of condition data and performance information for static and rotating assets is kept in the Asset Condition and Performance Excel spreadsheet. However, the latest available record of asset condition appraisal is from October 2010, where physical condition of some, but not all assets was noted. The record indicates that the condition of access chambers, gravity mains and most of the rising mains was not assessed at the time of the appraisal. <i>Refer recommendation 13/2014</i></p> <p><u><i>Recommendation 11/2014</i></u> <i>The Shire should review and update the Asset Register to ensure that all assets are documented in the Asset Register accurately and completely (including the new subdivision assets) and that all required information, including the GPS co-ordinates, is recorded for all asset groups.</i></p>
5.4	Operational costs are measured and monitored.	All asset expenditure is recorded in the Shire's Financial Management Information System (FMIS). This includes costs for the sewerage collection system (reticulation and pumping), Wastewater Treatment Plant, disposal of treated sewerage through evaporation to the environment and the effluent re-use storage pond/treatment and reticulation/re-use.
5.5	Staff resources are adequate and staff receive training commensurate with their responsibilities.	<p>The latest available update of the AMP is dated February 2011. The AMP provides information on human resources required to support the plan as follows:</p> <ul style="list-style-type: none"> <li>• Works Manager – tasked with establishing and maintaining the drawing information system;</li> <li>• EHO – responsible for updating asset register, inventory control and procurement, asset condition and performance, risk assessment and management, maintenance planning and works management systems, financial management and budgeting, and data and information storage and retrieval.</li> <li>• Administrative Support Officer – responsible for data entry into the AMIS from condition appraisal inspections and completed works orders.</li> </ul>

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<p>External licensed plumbers and electricians are also utilised as necessary.</p> <p>The Shire didn't have any EHO from January 2013, when the former EHO left, until September 2014. The current EHO was approved by the Department of Health to the position of Environmental Health Officer to the Shire of Lake Grace with effect from 26 November 2014. Prior to this, there were two other officers appointed to the position of Shire's EHO on 12 September 2014. Staff resources were not adequate over this period. At the date of the audit, the new staff had not been training in the licencing requirements of the scheme.</p> <p>Also as noted in section 6.2 below there has been a lack of maintenance of the scheme since 2011.</p> <p><u>Recommendation 12/2014</u></p> <p>a) <i>The Shire should ensure that there are adequate staff resources assigned to operate and maintain the sewerage scheme. This may include engaging an external contractor to perform the planned maintenance activities.</i></p> <p>b) <i>The Shire should ensure that staff that support the scheme (as per the roles in the Asset Management Plan receive adequate training and records thereof are maintained. This could include the Water Corporations' sewerage plant operators training program.</i></p>			
6	ASSET MAINTENANCE	Process Rating	C	Performance Rating	3
6.1	Maintenance policies and procedures are documented and linked to service levels required.	<p>The Asset Management Plan includes a section on Maintenance Planning that provides an overview of the maintenance activities.</p> <p>There is a detailed Annual Maintenance Management Plan in the AMP that considers and includes various components of the overall system including sewerage collection system (reticulation and pumping), Wastewater Treatment Plant and effluent re-use scheme.</p>			
6.2	Regular inspections are undertaken of asset performance and condition.	<p>The latest available record of asset condition appraisal is from October 2010 as recorded in the Asset Condition and Performance Excel spreadsheet. The record indicates that the condition of access chambers, gravity mains and most of the rising mains was not assessed at the time of the appraisal.</p> <p>Some of the assets that were observed by the reviewer during the site visit as being in poor condition, were assessed as having a poor condition already in 2010 e.g. the condition of chlorinator was already found to be "Poor" back in 2010 and replacement was recommended as well as the need to repair spalling concrete on the exterior of the Imhoff tank and removal of a sludge cake from the Imhoff tank. Apparently, no action was done since 2010 to improve condition of these assets.</p>			

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		<p>The current EHO advised that all manholes were checked by the external plumber in early 2014 and that record of this assessment was retained by the plumber. At the time of this review, the Shire did not have any record of the results of this assessment in its records.</p> <p>The documentation available for review provided no evidence to substantiate that the required annual physical assessment of the infrastructure was occurring.</p> <p><u>Recommendation 13/2014</u></p> <ol style="list-style-type: none"> <li><i>The Shire should undertake a condition appraisal of all assets as soon as practicable and record the results of the appraisal in the Asset Condition and Performance Excel spreadsheet.</i></li> <li><i>The Shire should obtain a record of manholes check from the external plumber and record results of the check in the Asset Condition and Performance Excel spreadsheet.</i></li> <li><i>The Shire should prioritise the maintenance tasks resulting from the asset condition appraisal and implement a plan for asset condition improvement commensurate with urgency, risk and practicability.</i></li> <li><i>The Shire should resume the annual condition appraisal program of all assets.</i></li> </ol>
6.3	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	<p>An Annual Maintenance Management Plan for 2011/12 was sighted, as no earlier versions of the Plan were available for review. The comprehensive Annual Maintenance Management Plan is part of the AMP and specifies maintenance tasks to be carried out for all assets and the intervals at which they need to be done. However, the documentation available for review provided no evidence to substantiate that routine maintenance is carried out as planned.</p> <p>At the WWTP, the concrete structure of the Imhoff tank appears to be in reasonable condition, as is the pipework entering and leaving the tank. One chamber of the tank appears to be full of sludge. A sludge drying bed within the site appears not to have been used for some time. This indicates that there may be sludge build up at the bottom of the Imhoff tank that may need to be removed. The sludge drying bed should be cleaned out when sludge builds up to within 500mm of the top of the bed wall. It was observed that the paint on steelwork of the Imhoff tank walkway is beginning to fail.</p> <p>The storage ponds were observed to be enclosed by a locked gate and fencing. The earth banks are stabilised by grass growing on the inner bank face. The grass on the pond banks should be left intact to stabilise the banks. Erosion from wave action is occurring on the internal bank faces at some locations. The ponds were also observed having a reduced capacity due to the sludge build up and discharge to the adjoining land was clearly visible.</p> <p>It was observed that water was forming a small lake between the two treatment ponds. The source of this water was unknown and could be either seepage from the ponds or stormwater. This water is localised and does not appear to be draining away from the site. The water level of this pool is well below the level of the adjacent treatment pond, suggesting that it is not infiltration from the pond. It is recommended that the only action taken is to monitor the</p>

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<p>ponding to make sure that it is retained on site.</p> <p>The current Shire's EHO also advised that the Department of Health (DOH) performed an assessment of the scheme against the <i>Guidelines for the Non-Potable Uses of Recycled Water in WA (dated August 2011)</i> in April 2014. At the date of audit, the EHO also advised that no record of this assessment was available at the Shire. The report was subsequently provided to the Shire on 21 April 2015.</p> <p>The reviewer was advised that as a result of this assessment and due to concerns about the quality of water for irrigation, the Shire has stopped using the treated effluent for irrigation purposes. The chlorinator was observed to be in a very poor condition and it is currently not being used to chlorinate recycled water. The EHO advised that only the rain water is currently being used to irrigate the town's sports oval.</p> <p>Overall, there has been a general lack of asset maintenance since 2012.</p> <p><u>Recommendation 14/2014</u></p> <ul style="list-style-type: none"> <li>a) <i>The Shire should ensure that the recommendations in the Department of Health's Water Recycling Assessment Report (April 2015) are addressed.</i></li> <li>b) <i>The Shire should prioritise the recommendations set out in the Department of Health's Water Recycling Assessment Report and determine a plan for their implementation commensurate with urgency, risk and practicability.</i></li> <li>c) <i>The Shire should not resume using treated effluent for irrigation purposes until the replacement of the chlorinator and until safe to do so based on the water quality sampling results.</i></li> <li>d) <i>The Shire should arrange for removal of sludge build up from both treatment ponds to increase their capacity as well as removal of sludge from the Imhoff tank chamber and the bottom of the Imhoff tank and from the sludge drying bed.</i></li> <li>e) <i>The Shire should place coarse clayey gravel (stones up to 100mm diameter) to a minimum thickness of 500mm along those sections of eroded bank. Where possible, the gravel should be compacted with a plate compactor or similar equipment. Where this type of compaction cannot be achieved, the gravel shall be pressed into the bank with the face of a loader bucket.</i></li> <li>f) <i>While not urgent, it is recommended that repainting of steel be programmed within the next five years.</i></li> <li>g) <i>The Shire should monitor the ponding between the two treatment ponds to ensure that it is retained on site.</i></li> <li>h) <i>The Shire should resume the annual Maintenance Management Plan and ensure that all specified maintenance tasks are carried out and this is recorded in the planned/actual maintenance program spreadsheet.</i></li> </ul>

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		The AMP states that unforeseen maintenance tasking is instigated by a telephone call-out system to the Manager or Supervisor, who attends the site, assesses the requirements and arranges the immediate and follow-up actions and activities. However, the AMP does not specify who was available to do the actual work; that is an electrician, plumber or other technical personnel. It is recommended that for an Unexpected Failure of the system, more detailed contingency plans documenting the steps to be taken to resolve the failure, and the personnel responsible for the actions, be prepared. <i>Refer section 9 below.</i>			
6.4	Failures are analysed and operational/maintenance plans adjusted where necessary.	Any failures of any scheme component are rare but would be analysed and maintenance plans/budgets adjusted as part of the Shire's annual budget preparation.			
6.5	Risk management is applied to prioritise maintenance tasks.	<p>The Asset Management Plan includes a risk assessment policy and this has been applied in developing a risk assessment register and the Annual Planned Maintenance program.</p> <p>The risk assessment register and the Annual Planned Maintenance program consider and include various components of the overall system including sewerage collection system (reticulation and pumping), Wastewater Treatment Plant and effluent re-use scheme (reticulation/re-use assets). However, as noted above, there was no evidence that routine maintenance is carried out as planned and a general lack of asset maintenance was observed during the site visit.</p> <p><i>Refer recommendations 13/2014 and 14/2014</i></p>			
6.6	Maintenance costs are measured and monitored.	Maintenance costs of all scheme components are tracked through the FMIS and actual/budget reporting to the Executive and Council each month.			
<b>7</b>	<b>ASSET MANAGEMENT INFORMATION SYSTEM</b>	Process Rating	<b>C</b>	Performance Rating	<b>3</b>
7.1	Adequate system documentation for users and IT operators.	<p>The asset management information system is a simple system based on the Excel spreadsheets available from the Authority. The system is documented in the Asset Management Plan (latest available version February 2011) which refers to each spreadsheet included in the Appendices.</p> <p>The Shire had no record of the AMP or any other accompanying Excel spreadsheets. The reviewer had a record of the Shire's AMP and accompanying spreadsheets dated 2011 which were obtained by the reviewer during the previous review process. The reviewer provided copies of these documents to the current Shire's EHO as part of this review.</p> <p>As noted in the Asset Management Practices section of the AMP, the former EHO was a custodian of the AMP as well as all accompanying spreadsheets. Apart from the drawing information system, the EHO was responsible for</p>			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<p>the entire asset management information system. It appears that the data was not being passed on to the Shire for record keeping and backup. However, there have been other staffing changes at the Shire that may have affected the record-keeping. When the former EHO left the Shire in January 2013, the Shire was left without adequate records of the Asset Management System.</p> <p><u>Recommendation 15/2014</u></p> <ol style="list-style-type: none"> <li><i>The Shire should ensure that all Asset Management System documentation, including all future updates of the AMP and the accompanying Excel spreadsheets, is saved on the Shire's server and regularly backed up as part of the standard IT maintenance procedures. The backups should be tested each quarter.</i></li> <li><i>The Shire should update the Asset Management Practices section of the AMP to stipulate the responsibilities for management, storage and back-up that would ensure that all Asset Management System records are provided to and retained by the Shire.</i></li> </ol>
7.2	Input controls include appropriate verification and validation of data entered into the system.	Excel spreadsheets are populated and data is checked when input.
7.3	Logical security access controls appear adequate, such as passwords.	There is a password access to the Shire's system and PCs which restricts access to authorised Shire officers. However, as noted in item 7.1 above, the AMP and the accompanying Excel spreadsheets could not be located on the Shire's server. <i>Refer recommendation 15/2014</i>
7.4	Physical security access controls appear adequate.	The Shire offices are locked and alarmed outside of hours.
7.5	Data backup procedures appear adequate and are tested.	The system is regularly backed up as part of the standard IT maintenance procedures on a nightly basis and disks are taken offsite for safekeeping. However, as noted in item 7.1 above, the AMP and the accompanying Excel spreadsheets have not been previously saved on the Shire's server. There was no evidence that backups are regularly tested. <i>Refer recommendation 15/2014</i>
7.6	Key computations related to licensee performance reporting are materially accurate.	<p>Some Excel spreadsheets contains formulas such as, for example:</p> <ul style="list-style-type: none"> <li>- In the Risk Assessment spreadsheet, inherent risk is automatically assigned from the likelihood and overall consequence scores;</li> <li>- In the Annual Capital Investment Budget spreadsheet and in the Annual Operations &amp; Maintenance Budget spreadsheet, the light blue cells are automatically calculated.</li> </ul> <p>The review confirmed that the key computations in the Excel spreadsheets are accurate.</p>



Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
7.7	Management reports appear adequate for the licensee to monitor licence obligations.	Apart from printing the Excel spreadsheets out, there is no ability to create management reports. However, the functionality of the suite of Excel spreadsheets is considered adequate for the Shire's needs.			
8	<b>RISK MANAGEMENT</b>	Process Rating	<b>B</b>	Performance Rating	<b>3</b>
8.1	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	<p>The Asset Management Plan – February 2011 includes a risk assessment policy and procedure. This has been applied to develop a detailed Risk Assessment of asset failure and non-compliances with licence obligations.</p> <p>The risk assessment register considers and includes various components of the overall system including access chambers, gravity mains, pressure mains, sewerage pump station, wastewater treatment plant as well as major non-compliances with licence obligations.</p> <p>The reviewer sighted the Risk Assessment worksheet dated 16 November 2011. No further updates of the Risk Assessment worksheet were available for review. <i>Refer section 8.3 below.</i></p>			
8.2	Risks are documented in a risk register and treatment plans are actioned and monitored.	<p>The risks have been documented in a Risk Assessment worksheet. For all scheme components and potential events</p> <p>There was only one event identified as a significant risk, a pipe burst in the pressure main, because the event was likely to occur. To mitigate this risk, the pipe replaced was recommended to be done 2011/12. However, the Shire could not provide any evidence that this mitigation action was completed. The Asset Register (last updated on 16 November 2011) does not provide evidence that the pipe was replaced.</p> <p>Other than the pipe burst in the pressure main, failure of the Asset Management system and all other assets were a low to moderate risk exposure, which could be managed with current processes and procedures. Other than this risk identified, no further actions were needed to manage or mitigate the other risks. <i>Refer section 8.3 below.</i></p>			
8.3	The probability and consequences of asset failure are regularly assessed.	<p>The Risk Assessment worksheet has been sighted. It includes the probability and consequences of asset failure for all scheme components and non-compliance with licence obligations.</p> <p>However, the latest version of the Risk Assessment worksheet that was available for review was dated 16 November 2011. No further updates of the worksheet were available beyond this date. Therefore, the reviewer concluded that the probability and consequences of asset failure are not being regularly assessed.</p> <p>Moreover, the Risk Assessment worksheet still refers to the operating licence issued in 2009 and do not reflect the most recent changes to the legislation including Water Services Act 2012, Water Services Regulation 2013 and Water Services Code of Conduct (Customer Service Standards) 2013 as well as changes to the operating licence</p>			

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		<p>(new version of the operating licence was issued on 18 November 2013).</p> <p><u>Recommendation 16/2014</u></p> <ol style="list-style-type: none"> <li><i>The Shire should review and, where required, update the Risk Assessment worksheet to ensure that all current internal and external risks associated with the asset management system have been captured and considered, including the recent changes to the legislative requirements (Water Services Act 2012, Water Services Regulation 2013 and Water Services Code of Conduct (Customer Service Standards) 2013) as well as the new version of the operating licence issued on 18 November 2013.</i></li> <li><i>The Shire should ensure that treatment plans are actioned and monitored.</i></li> <li><i>The Shire should ensure that the probability and consequences of asset failure are assessed regularly i.e. annually as part of the annual review process of the AMP.</i></li> </ol>			
9	CONTINGENCY PLANNING	Process Rating	D	Performance Rating	3
9.1	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	<p>Key staff have an understanding of unwritten procedures, such as the calling of a plumber in the case of a pipe blockage, or an electrician in the case of a pump failure. The AMP states that unforeseen maintenance tasking is instigated by a telephone call-out system to the Manager or Supervisor, who attends the site, assesses the requirements and arranges the immediate and follow-up actions and activities. However, the AMP does not specify who is available to do the actual work; that is an electrician, plumber or other technical personnel. It is recommended that for an unexpected failure of the system, more detailed contingency plans documenting the steps to be taken to resolve the failure, and the personnel responsible for the actions, are prepared.</p> <p>The Asset Management Plan had an action item to develop a contingency plan for sewerage overflows by October 2011. This is still outstanding. The Shire has incident response procedures documented as part of the Shire's general work practices but there has not been any development of a comprehensive contingency plan.</p> <p><u>Recommendation 17/2014</u></p> <ol style="list-style-type: none"> <li><i>Based on the revised risk assessment in the AMP, a set of contingency plans or emergency procedures should be developed by the Shire to cover situations identified in the risk assessment as being a major or significant risk. For example bushfire affecting ponds or reticulation equipment; reticulation pump or electrical failure; extreme rainfall events/water overflows from the ponds; pipeline burst or blockages etc.</i></li> </ol> <p><i>The contingency plans should include:</i></p> <ul style="list-style-type: none"> <li><i>Detailed procedures</i></li> <li><i>Key local contact details – name, number and location</i></li> <li><i>Communication protocols</i></li> <li><i>Specifications, location and availability of emergency equipment</i></li> </ul>			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<p>○ <i>Authorities that need to be contacted and when.</i></p> <p>2. <i>Once developed, the contingency plans should be reviewed and tested on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency.</i></p>			
10	FIN/ANCIAL PLANNING	Process Rating	B	Performance Rating	3
10.1	The financial plan states the financial objectives and strategies and actions to achieve the objectives.	The AMP has a broad financial plan that sets out the strategy and objectives.			
10.2	The financial plan identifies the source of funds for capital expenditure and recurrent costs.	<p>The Shire maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Lake Grace Sewerage Scheme.</p> <p>The Shire has a specified area rating which is applied to all properties connected or capable of being connected to the sewerage scheme in the Lake Grace town site. The purpose of this rate is to offset the cost of the sewerage treatment, including operation, maintenance, administration, depreciation and loan repayments. It is anticipated that income under the specified area rating will marginally increase to recover the full cost of the sewerage scheme.</p> <p>The Shire of Lake Grace Budget 2014/2015 indicates that the Shire has enough rates income for the sewerage and effluent re-use scheme to cover the operational, maintenance and capital costs of replacement over the life of the scheme. The current revenues from sewerage rates are projected to \$130,913 (2014/15 rates) which is sufficient to cover operations and maintenance annuity provision of \$64,928 as well as annuity provision of \$57,704 for replacements of assets (as per Financial Planning Excel spreadsheet). The surplus on operations is to be transferred to the sewerage reserve.</p> <p>The Lake Grace Sewerage Scheme is budgeted to have a balance of \$529,270 which covers the annuity provision for the operation, maintenance and capital replacement costs estimated at \$514,201 for the five years to 2014/15.</p>			
10.3	The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	<p>The Financial Planning Excel spreadsheet (dated 16 November 2011) includes the lifecycle costs of owning the assets, including projection of income until 2020 and projections on operations and maintenance, administration and capital expenditure requirements of the scheme until 2060 based on the adopted 50 years life of the scheme.</p> <p>However, as the Financial Planning spreadsheet was not updated since 2011, the costs of maintaining and operating the scheme and replacement cost of the assets may have changed. Also, the condition of assets has not been re-assessed since 2010 and this may result in changes to the projected expenditure, annuity provision and the balance of the sewerage reserve.</p> <p><u>Recommendation 18/2014</u></p> <p>a) <i>The Shire should review and update the Asset Management Plan – Financial Summary section as well as</i></p>			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<i>accompanying Financial Planning spreadsheet including projections of income, operations and maintenance, administration and capital expenditure requirements of the scheme as well as Lake Grace Sewerage Scheme Reserve based on an assessment of the condition of assets, revised replacement values of assets and updates to the planned operating and maintenance programs and costs.</i> <i>b) The adequacy of the sewerage reserve should be reviewed annually by comparison with the projected costs in the Financial Planning spreadsheet.</i>			
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	The Financial Planning Excel spreadsheet (dated 16 November 2011) includes a projection of income each year until 2020. As noted in section 10.3 the financial projections have not been updated since 2011. <i>Refer recommendation 18/2014.</i>			
10.5	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	The Financial Planning Excel spreadsheet (dated 16 November 2011) includes the lifecycle costs of owning the assets, including projection of income until 2020 and projections on operations and maintenance, administration and capital expenditure requirements of the scheme until 2060 based on the adopted 50 years life of the scheme. However, as the Financial Planning spreadsheet was not updated since 2011, the costs of maintaining and operating the scheme and replacement cost of the assets may have changed. Also, the condition of assets has not been re-assessed since 2010 and this may result in changes to the projected expenditure, annuity provision and the balance of the sewerage reserve. <i>Refer recommendation 18/2014.</i>			
10.6	Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.	Variations in actual and budget income and expenses are identified in monthly reports and reviewed by the Executive and Council for action required.			
11	CAPITAL EXPENDITURE PLANNING	Process Rating	B	Performance Rating	3
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	The Financial Planning Excel spreadsheet (dated 16 November 2011) includes the lifecycle costs of owning the assets, including projection of capital expenditure requirements of the scheme until 2060 based on the adopted 50 years life of the scheme. The Shire transferred \$149,350 from the Reserve in 2013/14 to be spent on an upgrade of Lake Grace Sewerage ponds to increase the existing level of the embankment by 0.5m. Works have been scheduled for March 2015. This planned upgrade is not reflected in the Financial Planning spreadsheet due to the capital expenditure plan in the			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		AMP and spreadsheet not being updated since 2011. <u>Recommendation 19/2014</u> <i>The Shire should review and update the capital expenditure plan in the Asset Management Plan on an annual basis, as stated in the Plan. For example, for the planned upgrade of the treatment ponds that will extend their useful life and affect the capital replacement annuity that needs to be set aside in the sewerage reserve.</i>			
11.2	The plan provides reasons for capital expenditure and timing of expenditure.	The analysis assumes that assets will be replaced at the end of their standard economic life.			
11.3	The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.	The capital expenditure plan is consistent with the asset life and condition recorded in the detailed Asset Register and Asset Condition and Performance excel spreadsheets as at November 2011. <i>Refer section 11.1 above.</i>			
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	The Asset Management Plan – Plant Improvement and Monitoring section notes that AMP should be revised at least every five years and when any significant changes occur. The capital investment plans shall be revised annually. The Financial Planning Excel spreadsheet was last updated on 16 November 2011. <i>Refer section 11.1 above.</i>			
<b>12</b>	<b>REVIEW OF ASSET MANAGEMENT SYSTEM</b>	Process Rating	<b>B</b>	Performance Rating	<b>3</b>
12.1	A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.	The AMP was issued in February 2011. The Monitoring and Review Procedures section of the AMP notes that AMP should be revised at least every five years and when any significant changes occur. The maintenance and capital investment plans shall be revised annually, however these have not been reviewed since November 2011. The back page of the AMP contains a Document /Report Control Form that outlines the revision number, the author, the reviewer, and who approved the AMP for issue and when. The table notes that the AMP was approved for issue on 25/3/11. There were no further revisions carried out. The users of the AMP could benefit from a brief description of changes to the document from the previous version. The Plan has document control (version details). Also, the Monitoring and Review Procedures section of the AMP has not been updated for the requirement to notify the Authority of any changes to the asset management system within the required timeframe. <u>Recommendation 20/2014</u> a) <i>The Shire should review and update the AMP and accompanying Excel spreadsheets to bring it up to date.</i> b) <i>The Shire should ensure that the AMP is revised at least every five years and when any significant changes</i>			

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Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<i>occur and accompanying Excel spreadsheets reviewed and updated annually.</i> <i>c) The Shire should update the Asset Management Plan - Monitoring and Review Procedures section for the requirement to notify the Authority of any changes to the asset management system within 10 business days.</i> <i>d) The Shire should modify the "Document Status" table to include a brief description of changes to the document from the previous version.</i>
12.2	Independent reviews (e.g. internal audit) are performed of the asset management system.	An independent review is performed every 3 years as required by the licence.

### 3.6 Current Review Asset System Deficiencies and Recommendations

A. Resolved during current review period			
Ref.	Asset System Deficiency (Rating/AMS Component/Effectiveness Criteria/Details)	Date Resolved (& management action taken)	Auditor's Comments
	Nil		

B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
10/2014 <b>B3</b>	<p><b>Asset Creation and Acquisition – Legislative Requirements</b></p> <p><i>Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.</i></p> <p>Section 2.3 of the AMP outlines the legislative requirements. The Health Act, Environmental Protection and Occupational Health, Safety and Welfare are briefly considered.</p> <p>However, the Legislative Requirements Section of the AMP still refers to the Water Services Act 1995 and the operating licence issued in 2009 and do not reflect the most recent changes to the legislation including Water Services Act 2012, Water Services Regulation 2013 and Water Services Code of Conduct (Customer Service Standards) 2013 as well as changes to the operating licence (new version of the operating licence was issued on 18 November 2013).</p>	The Legislative Requirements Section of the AMP should be updated to reflect the recent changes to the legislative requirements including Water Services Act 2012, Water Services Regulation 2013 and Water Services Code of Conduct (Customer Service Standards) 2013 as well as for the new version of the operating licence issued on 18 November 2013.	Nil
11/2014 <b>C3</b>	<p><b>Asset Operations – Asset Register</b></p> <p><i>Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and</i></p>	The Shire should review and update the Asset Register to ensure that all assets are documented in the Asset Register accurately and completely (including the new subdivision assets) and that all required information,	Nil

B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
	<p><i>accounting data.</i></p> <p>The AMP provides a summary description of each installation within the scheme. A detailed listing of assets is documented in the Asset Register for the scheme (Excel worksheet).</p> <p>The Asset Register was last updated on 16 November 2011. Therefore, the new subdivision of 10 blocks that was completed in 2013 is not included in the Asset Register.</p> <p>The Asset Register includes construction dates and replacement values for all main asset groups including chambers, pipes, treatment plant, pump station and effluent re-use. The assets are discretely numbered with an alpha-numeric asset number and include the relevant construction material, asset type and descriptions. However, the reviewer noted that some of the relevant fields in the Asset Register are still marked as 'Unknown'.</p> <p>Also, the AMP states that the Shire has collected GPS co-ordinates for all accessible access chambers. However no GPS co-ordinates for any asset are recorded in the Asset Register.</p>	including the GPS co-ordinates, is recorded for all asset groups.	
12/2014 <b>B2</b>	<p><b>Asset Operations – Staff Resources</b></p> <p><i>Staff resources are adequate and staff receive training commensurate with their responsibilities.</i></p> <p>The latest available update of the AMP is dated February 2011. The AMP provides information on human resources required to support the plan as follows:</p> <ul style="list-style-type: none"> <li>• Works Manager – tasked with establishing and maintaining the drawing information system;</li> <li>• EHO – responsible for updating asset register, inventory control and procurement, asset condition and performance, risk assessment and management,</li> </ul>	<p>a) The Shire should ensure that there are adequate staff resources assigned to operate and maintain the sewerage scheme. This may include engaging an external contractor to perform the planned maintenance activities.</p> <p>b) The Shire should ensure that staff that support the scheme (as per the roles in the Asset Management Plan receive adequate training and records thereof are maintained. This could include the Water Corporations' sewerage plant operators training program.</p>	Nil



B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
	<p>maintenance planning and works management systems, financial management and budgeting, and data and information storage and retrieval.</p> <ul style="list-style-type: none"> <li>Administrative Support Officer – responsible for data entry into the AMIS from condition appraisal inspections and completed works orders.</li> </ul> <p>External licensed plumbers and electricians are also utilised as necessary.</p> <p>The Shire didn't have any EHO from January 2013, when the former EHO left, until September 2014. The current EHO was approved by the Department of Health to the position of Environmental Health Officer to the Shire of Lake Grace with effect from 26 November 2014. Prior to this, there were two other officers appointed to the position of Shire's EHO on 12 September 2014. Staff resources were not adequate over this period.</p> <p>At the date of the audit, the new staff had not been training in the licencing requirements of the scheme.</p> <p>Also as noted in the Asset Maintenance section below there appears to have been a general lack of maintenance of the scheme since 2011.</p>	c)	
13/2014 <b>C3</b>	<p><b>Asset Maintenance - Inspections</b></p> <p><i>Regular inspections are undertaken of asset performance and condition.</i></p> <p>The latest available record of asset condition appraisal is from October 2010 as recorded in the Asset Condition and Performance Excel spreadsheet. The record indicates that the condition of access chambers, gravity mains and most of the</p>	<p>a) The Shire should undertake a condition appraisal of all assets as soon as practicable and record the results of the appraisal in the Asset Condition and Performance Excel spreadsheet.</p> <p>b) The Shire should obtain a record of manholes check from the external plumber and record results of the check in the Asset Condition and Performance</p>	Nil

B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
	<p>rising mains was not assessed at the time of the appraisal.</p> <p>Some of the assets that were observed by the reviewer during the site visit as being in poor condition, were assessed as having a poor condition already in 2010 e.g. the condition of chlorinator was already found to be "Poor" back in 2010 and replacement was recommended as well as the need to repair spalling concrete and removal of a sludge cake from the Imhoff tank. Apparently, no action was done since 2010 to improve condition of these assets.</p> <p>The current EHO advised that all manholes were checked by the external plumber in early 2014 and that record of this assessment was retained by the plumber. At the time of this review, the Shire did not have any record of the results of this assessment in its records.</p> <p>The documentation available for review provided no evidence to substantiate that the required annual physical assessment of the infrastructure was occurring.</p>	<p>Excel spreadsheet.</p> <p>c) The Shire should prioritise the maintenance tasks resulting from the asset condition appraisal and implement a plan for asset condition improvement commensurate with urgency, risk and practicability.</p> <p>d) The Shire should resume the annual condition appraisal program of all assets.</p>	
14/2014 <b>C3</b>	<p><b>Asset Maintenance – Completion of Maintenance</b></p> <p><i>Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.</i></p> <p>An Annual Maintenance Management Plan for 2011/12 was sighted, as no earlier versions of the Plan were available for review. The comprehensive Annual Maintenance Management Plan is part of the AMP and specifies maintenance tasks to be carried out for all assets and the intervals at which they need to be done. However, the documentation available for review provided no evidence to substantiate that routine maintenance is carried out as planned.</p> <p>At the WWTP, the concrete structure of the Imhoff tank appears to be in reasonable condition, as is the pipework</p>	<p>a) The Shire should ensure that the recommendations in the Department of Health's Water Recycling Assessment Report (April 2015) are addressed.</p> <p>b) The Shire should prioritise the recommendations set out in the Department of Health Water Recycling Assessment Report and determine a plan for their implementation commensurate with urgency, risk and practicability.</p> <p>c) The Shire should not resume using treated effluent for irrigation purposes until the replacement of the chlorinator and until safe to do so based on the water quality sampling results.</p> <p>d) The Shire should arrange for removal of sludge build up from both treatment ponds to increase their</p>	Nil

B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
	<p>entering and leaving the tank. One chamber of the tank appears to be full of sludge. A sludge drying bed within the site appears not to have been used for some time. This indicates that there may be sludge build up at the bottom of the Imhoff tank that may need to be removed. The sludge drying bed should be cleaned out when sludge builds up to within 500mm of the top of the bed wall. It was observed that the paint on steelwork of the Imhoff tank walkway is beginning to fail.</p> <p>The storage ponds were observed to be enclosed by earth banks that are stabilised by grass growing on the inner bank face. The grass on the pond banks should be left intact to stabilise the banks. Erosion from wave action is occurring on the internal bank faces at some locations. The ponds were also observed having a reduced capacity due to the sludge build up and discharge to the adjoining land was clearly visible.</p> <p>It was observed that water was forming a small lake between the two treatment ponds. The source of this water was unknown and could be either seepage from the ponds or stormwater. This water is localised and does not appear to be draining away from the site. The water level of this pool is well below the level of the adjacent treatment pond, suggesting that it is not infiltration from the pond. It is recommended that the only action taken is to monitor the ponding to make sure that it is retained on site.</p> <p>The current Shire's EHO also advised that the Department of Health (DOH) performed an assessment of the scheme against the <i>Guidelines for the Non-Potable Uses of Recycled Water in WA (dated August 2011)</i> in April 2014. At the date of audit, the EHO also advised that no record of this assessment was available at the Shire. The report was subsequently</p>	<p>capacity as well as removal of sludge from the Imhoff tank chamber and the bottom of the Imhoff tank and from the sludge drying bed.</p> <p>e) The Shire should place coarse clayey gravel (stones up to 100mm diameter) to a minimum thickness of 500mm along those sections of eroded bank. Where possible, the gravel should be compacted with a plate compactor or similar equipment. Where this type of compaction cannot be achieved, the gravel shall be pressed into the bank with the face of a loader bucket.</p> <p>f) While not urgent, it is recommended that repainting of steel be programmed within the next five years.</p> <p>g) The Shire should monitor the ponding between the two treatment ponds to ensure that it is retained on site.</p> <p>h) The Shire should resume the annual Maintenance Management Plan and ensure that all specified maintenance tasks are carried out and this is recorded in the planned/actual maintenance program spreadsheet.</p>	

B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
	<p>provided to the Shire on 21 April 2015.</p> <p>The reviewer was advised that as a result of this assessment and due to concerns about the quality of water for irrigation, the Shire has stopped using the treated effluent for irrigation purposes. The chlorinator was observed to be in a very poor condition and it is currently not being used to chlorinate recycled water. The EHO advised that only the rain water is currently being used to irrigate the town's sports oval.</p> <p>Overall, there has been a general lack of asset maintenance since 2011.</p>		
15/2014 C3	<p><b>Asset Management Information System</b></p> <p><i>Adequate system documentation for users and IT operators.</i></p> <p>The asset management information system is a simple system based on the Excel spreadsheets available from the Authority. The system is documented in the Asset Management Plan (latest available version February 2011) which refers to each spreadsheet included in the Appendices.</p> <p>However, apart from a copy of the Asset Register Excel spreadsheet, the Shire had no electronic record of AMP or any other accompanying Excel spreadsheets. The reviewer had a record of the Shire's AMP and accompanying spreadsheets dated 2011 which were obtained by the reviewer during the previous review process. The reviewer provided copies of these documents to the current Shire's EHO as part of this review.</p> <p>As noted in the Asset Management Practices section of the AMP, the former EHO was a custodian of the AMP as well as all accompanying spreadsheets. Apart from the drawing information system, the EHO was responsible for the entire asset management information system. It appears that the data was not being passed on to the Shire for record keeping</p>	<p>a) The Shire should ensure that all Asset Management System documentation, including all future updates of the AMP and the accompanying Excel spreadsheets, is saved on the Shire's server and regularly backed up as part of the standard IT maintenance procedures. The backups should be tested each quarter.</p> <p>b) The Shire should update the Asset Management Practices section of the AMP to stipulate the responsibilities for management, storage and back-up that would ensure that all Asset Management System records are provided to and retained by the Shire.</p>	Nil

B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
	and backup. However, there have been other staffing changes at the Shire that may have affected the record-keeping. When the former EHO left the Shire in January 2013, the Shire was left without adequate records of the Asset Management System.		
16/2014 <b>B3</b>	<p><b>Risk Management</b></p> <p><i>The probability and consequences of asset failure are regularly assessed.</i></p> <p>The Risk Assessment worksheet has been sighted. It includes the probability and consequences of asset failure for all scheme components and non-compliance with licence obligations.</p> <p>However, the latest version of the Risk Assessment worksheet that was available for review was dated 16 November 2011. No further updates of the worksheet were available beyond this date. Therefore, the reviewer concluded that the probability and consequences of asset failure are not being regularly assessed.</p> <p>Moreover, the Risk Assessment worksheet still refers to the operating licence issued in 2009 and do not reflect the most recent changes to the legislation including Water Services Act 2012, Water Services Regulation 2013 and Water Services Code of Conduct (Customer Service Standards) 2013 as well as changes to the operating licence (new version of the operating licence was issued on 18 November 2013).</p>	<p>a) The Shire should review and, where required, update the Risk Assessment worksheet to ensure that all current internal and external risks associated with the asset management system have been captured and considered, including the recent changes to the legislative requirements (Water Services Act 2012, Water Services Regulation 2013 and Water Services Code of Conduct (Customer Service Standards) 2013) as well as the new version of the operating licence issued on 18 November 2013.</p> <p>b) The Shire should ensure that treatment plans are actioned and monitored.</p> <p>c) The Shire should ensure that the probability and consequences of asset failure are assessed regularly i.e. annually as part of the annual review process of the AMP.</p>	Nil
17/2014 <b>D4</b>	<p><b>Contingency Planning</b></p> <p><i>Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.</i></p> <p>Key staff have an understanding of unwritten procedures, such as the calling of a plumber in the case of a pipe</p>	<p>a) Based on the revised risk assessment in the AMP, a set of contingency plans or emergency procedures should be developed by the Shire to cover situations identified in the risk assessment as being a major or significant risk. For example bushfire affecting ponds or reticulation equipment; reticulation pump</p>	

B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
	<p>blockage, or an electrician in the case of a pump failure.</p> <p>The AMP states that unforeseen maintenance tasking is instigated by a telephone call-out system to the Manager or Supervisor, who attends the site, assesses the requirements and arranges the immediate and follow-up actions and activities. However, the AMP does not specify who was available to do the actual work; that is an electrician, plumber or other technical personnel. It is recommended that for an unexpected failure of the system, more detailed contingency plans documenting the steps to be taken to resolve the failure, and the personnel responsible for the actions, be prepared.</p> <p>The Asset Management Plan had an action item to develop a contingency plan for sewerage overflows by October 2011. This is still outstanding.</p>	<p>or electrical failure; extreme rainfall events/water overflows from the ponds; pipeline burst or blockages etc.</p> <p>b) The contingency plans should include:</p> <ul style="list-style-type: none"> <li>– Detailed procedures</li> <li>– Key local contact details – name, number and location</li> <li>– Communication protocols</li> <li>– Specifications, location and availability of emergency equipment</li> <li>– Authorities that need to be contacted and when.</li> </ul> <p>c) Once developed, the contingency plans should be reviewed and tested on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency.</p>	
18/2014 <b>B2</b>	<p><b>Financial Planning - Update</b></p> <p><i>The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).</i></p> <p><i>The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.</i></p> <p>The Financial Planning Excel spreadsheet (dated 16 November 2011) includes the lifecycle costs of owning the assets, including projection of income until 2020 and</p>	<p>a) The Shire should review and update the Asset Management Plan – Financial Summary section as well as accompanying Financial Planning spreadsheet including projections of income, operations and maintenance, administration and capital expenditure requirements of the scheme as well as Lake Grace Sewerage Scheme Reserve based on an assessment of the condition of assets, revised replacement values of assets and updates to the planned operating and maintenance programs and costs.</p>	Nil

B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
	<p>projections on operations and maintenance, administration and capital expenditure requirements of the scheme until 2060 based on the adopted 50 years life of the scheme.</p> <p>However, as the Financial Planning spreadsheet was not updated since 2011, the costs of maintaining and operating the scheme and replacement cost of the assets may have changed. Also, the condition of assets has not been re-assessed since 2010 and this may result in changes to the projected expenditure, annuity provision and the balance of the sewerage reserve.</p>	b) The adequacy of the sewerage reserve should be reviewed annually by comparison with the projected costs in the Financial Planning spreadsheet.	
19/2014 B3	<p><b>Capital Expenditure Plan – Update</b></p> <p><i>There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates</i></p> <p>The Financial Planning Excel spreadsheet (dated 16 November 2011) includes the lifecycle costs of owning the assets, including projection of capital expenditure requirements of the scheme until 2060 based on the adopted 50 years life of the scheme.</p> <p>The Shire transferred \$149,350 from the Reserve in 2013/14 to be spent on an upgrade of Lake Grace Sewerage ponds to increase the existing level of the embankment by 0.5m. Works have been scheduled for March 2015. This planned upgrade is not reflected in the Financial Planning spreadsheet due to the capital expenditure plan in the AMP and spreadsheet not being updated since 2011.</p>	The Shire should review and update the capital expenditure plan in the Asset Management Plan on an annual basis, as stated in the Plan. For example, for the planned upgrade of the treatment ponds that will extend their useful life and affect the capital replacement annuity that needs to be set aside in the sewerage reserve.	Nil
20/2014 B3	<p><b>Review of the Asset Management System</b></p> <p><i>A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.</i></p>	<p>a) The Shire should review and update the AMP and accompanying Excel spreadsheets to bring it up to date.</p> <p>b) The Shire should ensure that the AMP is revised at</p>	Nil

B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
	<p>The AMP was issued in February 2011. The Monitoring and Review Procedures section of the AMP notes that AMP should be revised at least every five years and when any significant changes occur. The maintenance and capital investment plans shall be revised annually, however these have not been reviewed since November 2011.</p> <p>The back page of the AMP contains a Document /Report Control Form that outlines the revision number, the author, the reviewer, and who approved the AMP for issue and when. The table notes that the AMP was approved for issue on 25/3/11. There were no further revisions carried out. The users of the AMP could benefit from a brief description of changes to the document from the previous version. The Plan has document control (version details).</p> <p>Also, the Monitoring and Review Procedures section of the AMP has not been updated for the requirement to notify the Authority of any changes to the asset management system within the required timeframe.</p>	<p>least every five years and when any significant changes occur and accompanying Excel spreadsheets reviewed and updated annually.</p> <p>c) The Shire should update the Asset Management Plan - Monitoring and Review Procedures section for the requirement to notify the Authority of any changes to the asset management system within 10 business days.</p> <p>d) The Shire should modify the "Document Status" table to include a brief description of changes to the document from the previous version.</p>	



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### 3.7 Conclusion

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

The assets are as described above with the only significant change since the previous review being the extension of the scheme to a new sub-division of 10 blocks in 2013.

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

- a) not implemented the 2 recommendations from the previous review as follows:
  - develop and test detailed contingency plans for failure of assets and other potential events; and
  - include a record of changes in the Asset Management Plan document; and
- b) not maintained an adequate control environment for ongoing compliance in respect of the asset management system as the controls have generally not been maintained due to changes and gaps in staff resources that have led to:
  - a lack of general maintenance of the assets of the scheme such that the condition of the wastewater treatment plant has deteriorated;
  - no review and update of the Asset Management Plan;
  - no annual assessment of the condition of the assets;
  - planned maintenance does not appear to have been undertaken;
  - no action taken on a partial inspection in 2014;
  - the water re-use scheme is no longer in operation due to safety issues and there has been no action on an assessment undertaken by the Department of Health in April 2014 and reported to the Shire in April 2015;
  - the Shire has not maintained adequate records of the Asset Management system; and
  - detailed contingency plans have not been developed and tested.

The review recommended that the Shire:

- review and update the Asset Management Plan including the legislative requirements, changes to the asset register including the new subdivision assets, risk assessment, financial plan and capital expenditure plan;
- review and update the Asset Register to ensure that all assets are documented in the Asset Register accurately and completely and that all required information, including the GPS co-ordinates, is recorded for all asset groups.
- ensure that there are adequate and trained staff resources assigned to operate and maintain the sewerage scheme. This may include engaging an external contractor to perform the planned maintenance activities.
- undertake a condition appraisal of all assets as soon as practicable and record the results of the appraisal in the Asset Condition and Performance Excel spreadsheet.
- prioritise the recommendations set out in the Department of Health's Water Recycling Assessment Report and determine a plan for their implementation commensurate with urgency, risk and practicability. The use of treated effluent for irrigation purposes should not resume until the replacement of the chlorinator and safe water quality sampling results.

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- arrange for removal of sludge build up from both treatment ponds to increase their capacity as well as removal of sludge from the Imhoff tank chamber and the bottom of the Imhoff tank and from the sludge drying bed. The eroded treatment banks need to be restored as budgeted for in 2014/15.
  - resume the annual Maintenance Management Plan and ensure that all specified maintenance tasks are carried out and this is recorded in the planned/actual maintenance program spreadsheet.
  - ensure that all Asset Management System documentation, including all future updates of the AMP and the accompanying Excel spreadsheets, is saved on the Shire's server and regularly backed up as part of the standard IT maintenance procedures. The backups should be tested each quarter.
  - review and update the Asset Management Plan every five years and when any significant changes occur. Also review annually the underlying spreadsheets.

Overall, the scheme, apart from the water re-use component, is still in working order and there have been no customer complaints or failures of any assets. However, the Shire has not maintained an effective asset management system over the review period. There needs to be significant improvements in the resourcing and performance of the processes set out in the Asset Management Plan to restore an effective system.

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## Appendix A - Methodology

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### A1. Audit and Review Approach

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

#### *Planning*

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

#### *Fieldwork*

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

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

### ***Reporting***

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

## **A2. Key Documents and Information Sources**

### ***Regulatory Documents and Reports***

- Audit and Review Guidelines: Water Licences – July 2014
- Water Compliance Reporting Manual – April 2014
- Customer Complaints Guidelines – October 2008
- Shire of Lake Grace - Water Operating Licence WL 22 – versions 2 and 3.
- Lake Grace Operating Area (Sewerage and Non-potable water supply services) Plan No. OWR-OA-037(B).
- Audit Report - Shire of Lake Grace Water Licence - Operational Audit and Asset Management System Review– May 2012
- Post Audit and Review Action Plans – current status reports
- Compliance reports to the Authority – 2011/12, 2012/13 and 2013/14
- Performance reports to the Authority – 2011/12, 2012/13 and 2013/14
- Water Services Act 2012
- Water Services Regulations 2013
- Water Services Code of Conduct (Customer Service Standards) 2013
- Local Government Act 1995
- Relevant Correspondence with regulators

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

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

### ***Asset Management System***

- Shire of Lake Grace - Asset Management Plan for Sewerage and Effluent Reuse Scheme Assets (February 2011)
- Asset Register

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- Asset Inspection Reports
  - Asset Register spreadsheets
  - Asset Condition and Performance spreadsheet
  - Risk Assessment spreadsheet
  - Financial Management spreadsheets
  - Maintenance Management spreadsheets

***Shire Planning and Financial Information***

- Financial Planning Excel spreadsheet (Appendix D of the AMP)
- 2012/13 Annual Financial Report
- Shire of Lake Grace 2014-2015 Budget
- Annual Shire Rates Notice and Your 2014/15 Rates Summary

**A3. Licensee's Representatives**

The Shire's primary contacts were:

- Neville Hale – Chief Executive Officer
- Louka Shopov – Manager Infrastructure Services
- Lauren Bosch – Environmental Health Officer
- Rohan Bishop – Technical Officer

**A4. Audit and Review Team and Hours**

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

END OF REPORT