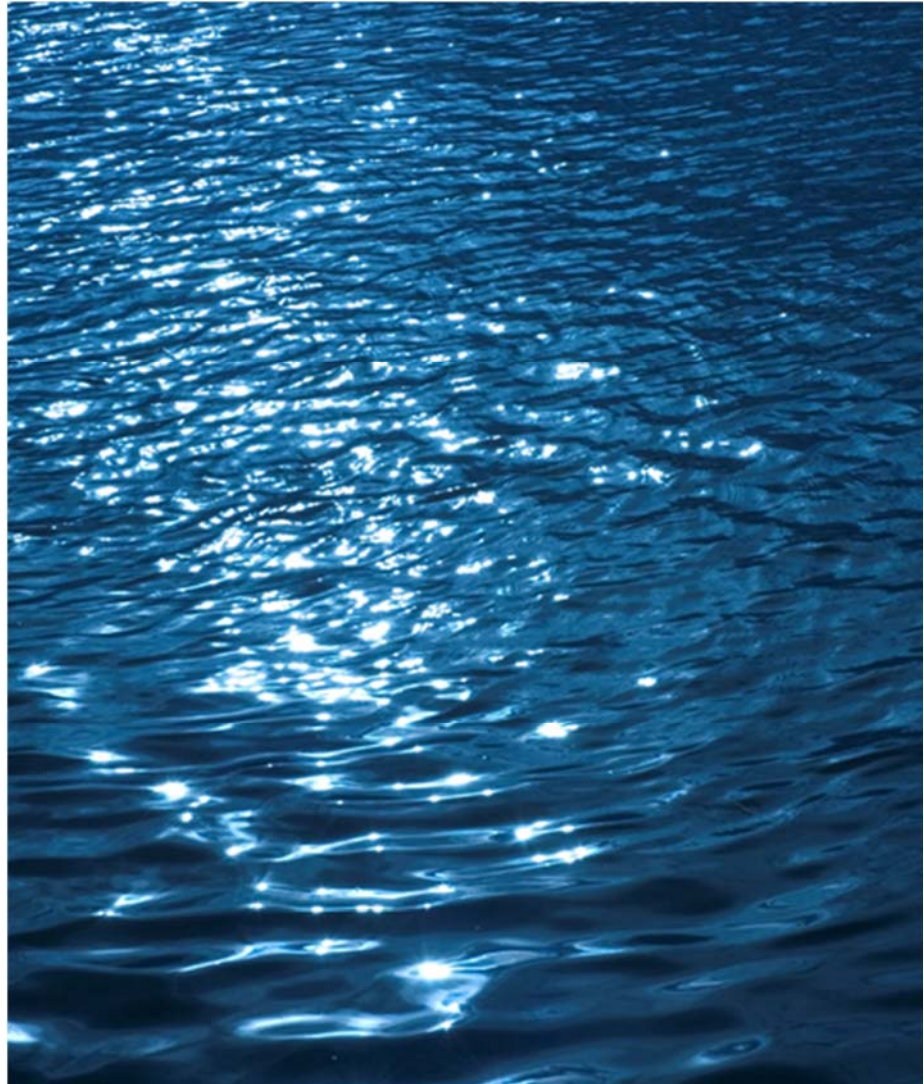




Quantum  
Assurance



## **Shire of Dumbleyung**

**Operational Audit and Asset Management System Review  
Water Licence WL16 (Non-potable and sewerage)**

**Report**  
Economic Regulation Authority  
13 May 2015

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## TABLE OF CONTENTS

1. Executive Summary .....	1
1.1 Background .....	1
1.2 Operational Audit.....	1
1.3 Asset Management System Review.....	2
2. Operational Audit .....	5
2.1 Introduction.....	5
2.2 Objectives and Scope .....	5
2.3 Audit Compliance and Controls Rating Scale .....	6
2.4 Status of Previous Audit Recommendations .....	7
2.5 Summary of Audit Ratings of Controls and Compliance .....	10
2.6 Audit Observations and Recommendations.....	14
2.7 Current Audit Non-Compliances and Recommendations .....	54
2.8 Conclusion.....	60
3. Asset Management System Review .....	62
3.1 Objectives and Scope .....	62
3.2 Asset Management Process and Performance Rating Scales .....	63
3.3 Status of Previous Review Recommendations .....	64
3.4 Summary of Asset Management System Effectiveness Ratings .....	67
3.5 Review Observations and Recommendations .....	71
3.6 Current Review Asset System Deficiencies and Recommendations.....	88
3.7 Conclusion.....	98
Appendix A - Methodology .....	100
A1. Audit and Review Approach .....	100
A2. Key Documents and Information Sources.....	101
A3. Licensee's Representatives .....	102
A4. Audit and Review Team and Hours.....	102

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**Limitations of this Report**

This report was prepared for distribution to the Economic Regulation Authority and the Shire of Dumbleyung 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 Dumbleyung, 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 Dumbleyung's (the Shire's) sewerage and non-potable water supply, to comply with the licensing requirements of the Authority.

The Shire operates a sewerage scheme that is centred on the townsite of Dumbleyung. The scheme was originally constructed in 1969 and upgraded in 1985 with the installation of the secondary waste stabilisation pond. The scheme is a septic tank effluent disposal system and includes a gravity reticulation system, two pumping stations, a treatment plant (Imhoff tank and waste stabilisation ponds). The effluent re-use scheme has not been used since 2009. The volume of wastewater treated is approximately 29,000 m<sup>3</sup> per annum serving 158 properties and 230 people.

The Shire is required to comply with the terms and conditions of their licence. There were two versions of the Water Operating License WL16 in force over the audit period - Version 2 (under the previous *Water Licencing 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 Dumbleyung 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's Financial Hardship Policy due to be approved by the Authority by 18 May 2014 under the *clause 26(3) of the Water Services Regulation 2012* was not approved until 3 July 2014 due to a delay in its submission;
  - 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 Customer Service Charter does not contain all the information required under the *Water Services Code of Conduct (Customer Service Standards) 2013*.
  - Compliance reports are not always submitted by the due dates, records of reports submissions are not always kept and there is no Compliance Breach Register.
- b) not implemented any of the 3 recommended actions from the previous audit as follows:
  - 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.
  - ensure that annual Compliance reports are submitted by the due date;
- c) established an adequate control environment for ongoing compliance apart from the non-compliance issues noted above and the inadequate controls 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 Customer Service Charter to include the details required by the *Water Services Code of Conduct (Customer Service Standards) 2013*.
- ensure that all future Compliance and Performance Reports are submitted to the Authority within the timeframes required and keep record of the reports submissions.
- maintain a Compliance Breach register in respect of the licence.
- provide a brochure at the Shire office and on the website with the "prescribed information" for sewerage services as set out in Section 37 of the *Water Services Code of Conduct (Customer Service Standards) 2013*. This includes the fees and charges, bill payment options, discounts/concessions, enquiry/translator services, powers of access to premises, interruptions to supply, etc.
- 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, timeliness of connections, 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.
- develop and implement a Compliance Schedule documenting the compliance activities, responsibilities and due dates.

### 1.3 Asset Management System Review

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

There have been no significant changes to the scheme during the review period apart water re-use scheme not being used during the review period.

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 Dumbleyung has:

- a) not implemented the three recommendations from the previous review, as follows:
- develop and test detailed contingency plans for failure of assets and other potential events.
  - recover the full cost of the sewerage scheme from rates if operations and maintenance levels are to be maintained; and transferring adequate funds to the sewerage reserve for the replacement of assets at their end of their life. Also, the

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Operational and Maintenance Cost spreadsheet in the AMP has not been updated yet.

- include a record of changes in the Asset Management Plan document; and
- b) established an adequate control environment for ongoing compliance in respect of the asset management system with the exception of:
  - no review and update of the Asset Management Plan.
  - no annual assessment of the condition of the assets.
  - detailed contingency plans have not been developed and tested.

The review recommended that the Shire:

- a) review and update the Asset Management Plan including the legislative requirements, changes to the asset register, risk assessment, financial plan and capital expenditure plan;
- b) 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.
- c) 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.
- d) 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.
- e) 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.
- f) 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.
- g) develop and test contingency plans.
- h) give further consideration to recovering the full cost of the sewerage scheme from rates, if operations and maintenance levels are to be maintained.
- i) review the adequacy of the sewerage reserve annually by comparison with the projected costs in the Financial Planning spreadsheet.
- j) as noted in the Shire's Strategic Community Plan Our 2012-20 Vision, an asset replacement strategy should be developed for the replacement of the sewerage scheme assets at the end of their economic life.
- k) 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 is being adequately maintained, is in reasonable working order and there have been no customer complaints or failures of any assets. However, there needs to be improvements in the performance of the processes set out in the Asset Management Plan in order to maintain an effective asset management system.

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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

13 May 2015



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## 2. Operational Audit

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### 2.1 Introduction

The Shire of Dumbleyung 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 Dumbleyung.

There were two versions of the Water Operating License WL16 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. Refer audit approach in Appendix A.

The scope of the audit covered the following areas:

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

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

- **Provision of water services in accordance with the licence** – high inherent risk and Type 1 reporting obligation (obligation 1).
- **Asset Management System** – high inherent risk (obligation 6).
- **Reporting to the Authority** – previous audit noted some delays in advising the Authority of major changes to the asset management system and the annual compliance reporting (obligations 164, 165, 166, 171).
- **Compliance with the service and performance standards** - area of high inherent risk (obligation 190).

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

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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	<p><b>Operational Audit and Asset Management System Review, and Notification of Changes to Asset Management System</b></p> <p><i>Compliant - 1</i></p> <p><i>Water Services Licensing Act 1995 Clause 16.1, 17.2, 17.3</i></p> <p>The Shire has developed and implemented the Compliance Schedule. However the Schedule does not include all of the regulatory requirements, including:</p> <ul style="list-style-type: none"> <li>• Asset Management System Review due date;</li> <li>• Operational Audit due date; and</li> <li>• Notification to the Authority of changes to the asset management system.</li> </ul>	<p>Note the required timeframes for the following in the Compliance Schedule to ensure regulatory timeframes are met:</p> <ul style="list-style-type: none"> <li>• Asset Management System Review (external);</li> <li>• Operational Audit (external): and</li> <li>• Changes to asset management system to be notified to the Authority within 10 business days.</li> </ul>	-	<p>Yes – further action required</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. Therefore, the Shire has no hardcopy record of compliance activities and due dates to comply with the licence.</p> <p><i>Refer recommendation 09/2014</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)
02/2011	<p><b>Notify Changes to Asset Management System</b>  <i>Non-compliant - Minor impact</i>  <i>Water Services Licensing Act 1995 Clause 17.2</i></p> <p>The audit confirmed with the Shire's EHO that during the audit period, the Shire has made no material changes to the asset management system that would require notification to the Authority apart from the implementation of a new Asset Management Information System (AMIS) in March 2011. This change was notified to the Authority in June 2011 in a status report on the previous audit's Post Audit Implementation Plan rather than within 10 business days of the change and is therefore a non-compliance with this licence condition.</p> <p>The Compliance 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 March 2011. Although, the Legislative Requirements section of the AMP refers to the requirement to notify any changes to the system to the Authority, the required timeframe 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>

Table of Previous Non Compliances and Audit Recommendations				
Reference (no./year)	Compliance rating/ Legislative Obligation/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details of further action required. (Including current recommendation ref. if applicable)
03/2011	<p><b>Performance and Compliance Reporting</b></p> <p><i>Non-compliant - Minor impact</i></p> <p><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 2009, 2010 and 2011 and relevant correspondence between the Shire and the Authority and noted 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>	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 one late report.</p> <p><i>Refer recommendation 06/2014.</i></p>

## 2.5 Summary of Audit Ratings of Controls and Compliance

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

No. <sup>1</sup>		Legislative Reference	Audit Priority applied  (rated 1 = High to 5 = Low)	Adequacy of Controls Rating <sup>2</sup>  (A=Adequate, B=Generally adequate, C=Inadequate, D=No controls, NP=Not performed)					Compliance Rating  (1=Compliant, 2=Non-compliant (minor impact), 3=Non-compliant – moderate impact, 4=Non-compliant - major impact, NR=Not rated)				
				A	B	C	D	NP	1	2	3	4	NR
<b>Water Licensing Services Act 1995 (repealed 17 October 2013)</b>													
-	Customer Service Charter (no longer mandatory)	Previous licence	2	✓						✓			
-	Customer consultation process (no longer mandatory)	Previous licence	4	✓						✓			
<b>Water Services Act 2012</b>													
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)	2	✓						✓			
7	Changes to asset management system	Sec. 24(1)(b)	4				✓					✓	
8	Asset management system review	Sec. 24(1)(c)	4	✓						✓			
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					✓						✓
28	Compliance notice issued by licensee re building works	Sec. 119(2)	4				✓							✓
29	Review of decisions	Sec. 122(2)	4				✓							✓
30	Apportionment of fees between properties	Sec. 125(2)	4					N/A						N/A
31	Lodging memorial to secure fees owing	Sec. 128(4)	4				✓							✓
32-33	Notice to property owner	Sec. 129(5) & 139(3)	4				✓							✓
34	Notice to roads authority	Sec. 141(1)	4					N/A						N/A
35-41	Proposal for major works	Sec. 142, 143(2)&(3), 144(3), 145(2), 147(3)&(4)	4				✓							✓
42-45	Proposal for general works	Sec. 151(1)-(3), 153(3)	4				✓							✓
46-48	Interest in land	Sec. 166(5)-(6), 170	4				✓							✓
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 - request	Cl. 18(1)	4				✓							✓
114-117	Review of bill - procedures	Cl. 18(2)-(6)	4				✓				✓			
118	At least 14 days for payment	Cl. 20	4	✓					✓					
119-121	Payment methods	Cl. 21(1)-(2), 22	4	✓					✓					
122	Payment in advance	Cl. 23(1)	4					✓						✓
123	Redirection of bills	Cl. 24	4					✓						✓
124	Payment plan	Cl. 25	4					✓						✓
125	Financial hardship policy - written	Cl. 26(1)-(2)	4	✓					✓					
126	Financial hardship policy - approval	Cl. 26(3)	4	✓						✓				
127	Financial hardship policy - approval	Cl. 26(4)	4					N/A						N/A
128	Financial hardship policy – publicly available	Cl. 26(5)	4	✓					✓					
129	Financial hardship policy – 5 year review	Cl. 26(6)	4		✓									✓
130-132	Financial hardship policy – payment variations	Cl. 27(2)-(3), 28(1)	4	✓										✓
133	Financial hardship policy – written information	Cl. 28 (4)&(5)	4	✓					✓					
134	Debt recovery	Cl. 29	4	✓										✓
139,142 .144	Reducing flow rates	Cl. 33, 34(4)&(6)	4					N/A						N/A
145-147	Complaints procedure - written	Cl. 35(1)-(3)	4	✓					✓					
148	Complaints procedure - details	Cl. 35(4)	4			✓				✓				
149	Complaints procedure – public availability	Cl. 35(6)	4	✓					✓					
150	No charge for information	Cl. 36(1)	4	✓										✓
152	Access to customer information	Cl. 36(2)	4	✓										✓
153	All Code of Conduct information to be publicly available in hardcopy and website	Cl. 37(1)	4			✓						✓		
<b>Licence Conditions – Specific Clauses</b>														
155	Fees to regulator	Cl. 4	4					✓						✓
156	Compliance with legislation	Cl. 5.1	4	✓					✓					
157	Compliance with Code of Practice	Cl. 5.2	4					N/A						N/A
158	Compliance with Code of Conduct	Cl. 5.3	4		✓					✓				
159	Compliance re any breaches	Cl. 5.4	4					✓						✓



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	
160	Compliance with Accounting Standards	Cl. 12	4	✓						✓				
161	Compliance with performance standards	Cl. 13.1	4	✓						✓				
162	Operational audit	Cl. 14.4	4	✓						✓				
163	External administration	Cl. 15.1(a)-(c)	4					✓						✓
164	Advise Authority of major or general works	Cl. 15.1(d)	4				✓							✓
165	Provision of information to the Authority	Cl. 16.1	3			✓					✓			
166	Compliance reporting to Authority	Cl. 16.1	3			✓					✓			
167	Performance reporting to Authority	Cl. 16.3	3			✓					✓			
168	Publishing information	Cl. 17.2	4					✓						✓
169	Notices in writing	Cl. 18.1	4	✓						✓				
170	Notify Authority of asset management system (AMS)	Cl. 20.1	4	✓						✓				
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) Water Services Licensing Act 1995	The licensee must establish a Customer Service Charter and make it available to customers.	2	The auditor confirmed with the Shire's EHO that the Shire of Dumbleyung 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 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 Dumbleyung Customer Service Charter for Wastewater Services is still available on the Shire's website.	A	1
-	Customer consultation	(Previous Licence) 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

<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 WL 16 Version 2 applied to the Shire until the new licence Version 3 was issued on 18 November 2013.

No <sub>3</sub>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
<b>Water Services Act 2012</b>							
1.	Nature of services	Section 21(1)(a)	The licensee must provide a water service authorised by the licence to persons entitled to the service under the Act, except to the extent otherwise provided for by the Act.	2	The auditor confirmed with the Shire's 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 license.	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-035(B).	NP	NR

No <sub>3</sub>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
5.	Outsourcing of services	Section 23	All water service works used by the licensee in the provision of a water service must be held by the licensee, or must be covered by an agreement whereby the licensee can operate the works so as to comply with its obligations, or must fit in to other prescribed categories under the Act.	4	The auditor confirmed with the Shire's 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
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	2	This audit and review confirmed the licensee has an asset management system.	A	1
7.	Changes to asset management system	Section 24(1)(b)	The licensee must give details of the asset management system and any changes to it to the Authority.	4	<p>The auditor confirmed with the Shire's EHO and review of the Asset Management System documentation that no significant changes have been made to the Asset Management System during the audit period.</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 internal document e.g. Compliance Schedule.</p> <p><u><i>Recommendation 01/2014</i></u>  <i>1. 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></p>	D	NR

No <sub>3</sub>	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><u>Recommendation 08/2014</u></p> <p>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; and the requirement to notify the Authority of any significant changes to the asset management system or building works within 10 business days to ensure that regulatory timeframes are met.</p> <p>2. The Shire should place the hardcopy Compliance Schedule on the front of the hardcopy Licence file.</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
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

No <sub>3</sub>	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>
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 02/2014 to 04/2014.</i>	B	2
12.	Compliance	Section 29	The licensee must comply with the duties imposed on it by the Act in relation to its licence and must carry out its operations in respect of the licence in accordance with the Act.	4	Reviewed Compliance and Performance reports to the Authority for 2011/12, 2012/13 and 2013/14 and underlying recording systems and ensured data is complete and accurate. There were some delays in the 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 with the Shire's EHO that the licensee is not a supplier of last resort.	N/A	N/A
15.	Ombudsman scheme	Section 66	Licensees who are required to be a member of the water services ombudsman scheme agree to be bound by, and compliant with, any decision of direction of the water services ombudsman under the scheme.	4	Confirmed by review of the correspondence between the licensee and the Energy and Water Ombudsman (WA) Limited that the licensee is a member of the Water Services Ombudsman scheme.	A	1

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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 EHO that, during the audit period, no notice of building work has been received by the Shire. However, there is no internal procedure for notification of building works in relation to the water services. <u><i>Recommendation 07/2014</i></u> <i>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.</i>	D	NR

No <sub>3</sub>	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>
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 07/2014.</i>	D	NR
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 EHO 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 07/2014.</i>	D	NR



No <sub>3</sub>	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>
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
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 EHO 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

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28.	Compliance notice issued by Licensee	Section 119(2)	The licensee must include the information specified in a compliance notice given in relation to the matters set out in section 119(1).	4	The auditor confirmed with the Shire's EHO 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 07/2014.</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 07/2014.</i>	D	NR
30.	Apportionment of fees between properties	Section 125(2)	If the licensee provides a water supply, sewerage or drainage service to 2 or more dwellings on land by a single property connection, the licensee may apportion fees. The licensee cannot apportion fees to the extent inconsistent with any agreement related to such a provision of services, or section 66 of the <i>Strata Titles Act 1985</i> .	4	The auditor confirmed with the Shire's 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 07/2014.</i>	D	NR

No <sub>3</sub>	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>
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.  However, there is no internal procedure that documents the minimum notice period required.  <i>Refer recommendation 07/2014.</i>	D	NR
33.		Section 139(3)	If the licensee removes or erects a fence or gate when exercising a works power conferred by the Act, the licensee must take all reasonable steps to notify the owner before doing so.	4	The auditor confirmed with the Shire's EHO and review of the Asset Management System documentation that the licensee did not exercise ancillary work powers during the audit period. However, there is no internal procedure to cover this requirement.	D	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

No <sub>3</sub>	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>
35.	Proposals for major works (includes WWTP with capacity over 2ML per day, dams, irrigation schemes, etc.)	Sections 142	The licensee must comply with sections 143 and 144 of the Act in relation to the proposed major works, and has given any notice required under section 148.	4	The auditor confirmed 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 07/2014.</i>	D	NR
36.		Sections 143 (2)	Before the licensee submits a proposal for the provision of major works to the Minister, the licensee must prepare, publish and make available plans and details of those major works as specified.	4	As per item 35.	D	NR
37.		Sections 143 (3)	The licensee must, within 5 days of publishing the plans and details on the licensee's website, give notice setting out the matters prescribed in section 143(4) to the persons and agencies specified.	4	As per item 35.	D	NR
38.		Sections 144(3)	The licensee must have regard to an objection or submission lodged within the relevant period.	4	As per item 35.	D	NR
39.		Section 145(2)	If the licensee makes alterations to the plans or details referred to in section 143(2), the licensee must give written notice of the alterations to any person who is likely to be adversely affected by those alterations.	4	As per item 35.	D	NR

No <sub>3</sub>	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>
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 07/2014.</i>	D	NR
43.		Section 151(2)	The licensee must give a notice setting out the matters referred to in section 151(3) to the persons and agencies specified.	4	As per item 42.	D	NR
44.		Section 152(3)	The licensee must have regard to an objection or submission lodged by the date specified in the notice given under section 151(2).	4	As per item 42.	D	NR
45.		Section 153(3)	If the licensee makes alteration to those plans or details referred to in section 151, the licensee must give written notice of the alterations to any person who is likely to be adversely affected by those alterations.	4	As per item 42.	D	NR

No <sub>3</sub>	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>
46.	Interest in land	Section 166(5)	On being advised by the Minister that an interest in land is appropriate to the licensee's needs, the licensee is required to acquire the interest.	4	The auditor confirmed by interview with the Shire's 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 that documents this procedure. <i>Refer recommendation 07/2014.</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 07/2014.</i>	D	NR
50.		Section 174(1)	Notice of a proposed entry by the licensee must be in writing and must set out the purpose of the entry, including (if applicable) any work proposed to be carried out.	4	As per item 49.	D	NR

No <sub>3</sub>	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>
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
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

No <sub>3</sub>	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>
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 07/2014.</i>	D	NR
59.		Section 187(1) – (3)	If the licensee applies for a warrant to enter, the application must be made in accordance with the procedures specified depending on the location of the applicant and the justice.	4	As per item 58.	D	NR
60.		Section 190(4)	Unless required to give a copy of the warrant, the licensee executing the warrant must produce the warrant for inspection by the occupier of the place concerned on entry (if practicable), and if requested to do so.	4	As per item 58.	D	NR
61.		Section 190(5)	On completing the execution of a warrant the licensee must record the prescribed information on that warrant.	4	As per item 58.	D	NR
62.		Section 210(5)	If the licensee designates a person as an inspector or compliance officer, the licensee must give that person a certificate of authority that includes certain prescribed information.	4	The auditor confirmed by interview with the Shire's EHO that no person is currently designated as an inspector or compliance officer.	NP	NR
63.		Section 218(2)	In the exercise or purported exercise of a power under the Act, the licensee must ensure that, to the extent practicable, the free use of any place is not obstructed, and that as little damage, harm or inconvenience is caused as is possible.	4	As per item 49 and 58. There is no internal procedure.  <i>Refer recommendation 07/2014.</i>	D	NR



No <sub>3</sub>	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>
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
<b>Water Services Regulations 2013</b>							
74.	Works affecting roads	Regulation 60(2)	If the licensee proposes to exercise a works power in a road and considers that it is necessary to alter the position of infrastructure, the licensee must notify the person who is responsible for the infrastructure and may request that the person make the alterations within the time specified in the notice.	4	The auditor confirmed by interview with the licensee's 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

No <sub>3</sub>	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>
89.	Compliance notice issued by licensee to include consequences and rights	Regulation 85	Compliance notices issued by the licensee must include a brief description of the possible consequences under the Act of not complying with the notice, and the rights of review under the Act in relation to the notice and who may apply for review.	4	The Shire's EHO confirmed that no compliance notice has been issued by the Shire during the audit period. Although, Section 3.25 of the Local Government Act 1995 provides ground for issue of compliance notices to owner or the occupier of the land in certain circumstances, there is no internal procedure governing the issue of the compliance notices and what the notice should contain.  <i>Refer recommendation 07/2014.</i>	D	NR
<b>Water Services Code of Conduct (Customer Service Standards) 2013</b>							
92.	Information for customers	Clause 7	The licensee must have written information for customers about the specified matters.	4	Although not mandatory after 17 November 2013, the Shire's Customer Service Charter for Water Services is available on the Shire's website. The charter is consistent with the licence provision in covering all the service issues likely to be of concern to the Shire's customers. The Charter is also available at the Shire office. Information about the fees that apply in relation to connections and when the fees are payable is included in the annual Rate Notice and accompanied Information Brochure. Together these include the required information.	A	1
93.	Timeliness of connections	Clause 8	The licensee must ensure that, in any 12 month period, 90% of connections are completed before the end of 10 business days, starting on the day on which the customer has paid the relevant fees and complied with the relevant requirements.	4	There were no new connections over audit period. There is no internal procedure.  <i>Refer recommendation 07/2014.</i>	D	NR

No <sub>3</sub>	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>
94.	Annual service charges	Clause 9	The licensee must issue a bill for non-quantity charges to each customer at least once in every 12 month period.	4	Confirmed on a sample basis that the annual rate notice is issued to each owner or occupier, as the case requires, of land on which a service charge is imposed. Water services charges are being determined based on the Gross Rental Value (GRV).	A	1
95.	Usage bills at least 6 monthly	Clause 10(2)	The licensee must issue a bill for usage to each customer at least once in every 6 month period.	4	Confirmed with the Shire's 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. <i>(this also applies to further obligations below).</i>	N/A	N/A
96.		Clause 10(3)	The licensee must ensure a bill for usage is based on a meter reading to ascertain the quantity supplied or discharged.	4	As per 95, no usage charges are billed for sewerage or non-potable water supply.	N/A	N/A
97.		Clause 10(4)	If an accurate meter reading is not possible, a bill for usage must be based on an estimation (in accordance with the prescribed regulations) of the quantity of water supplied or waste water discharged.	4	As per 95, no usage charges are billed for sewerage or non-potable water supply.	N/A	N/A
98.		Clause 10(5)	If an accurate meter reading is not possible and there are no applicable regulations, a bill for usage must be based on a reasonable estimate of supply or discharge using one of the prescribed methods.	4	As per 95, no usage charges are billed for sewerage or non-potable water supply.	N/A	N/A
99.	Address for billing	Clause 11	The licensee must send a bill to the address of the place where the water service is provided or, if the customer nominates another address, to the nominated address.	4	The auditor confirmed on a sample basis compliance with this requirement over the audit period.	A	1

No <sub>3</sub>	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>
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	4	As per 95, no usage charges are billed for sewerage or non-potable water supply.	N/A	N/A
107.	Under and over charges	Clause 16(2)	The licensee cannot recover an undercharged amount from a customer unless it is for water services provided in the 12 month period ending on the day on which the licensee informed the customer of the undercharging.	4	<p>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.</p> <p>The Shire's staff confirmed that no overcharging or undercharging occurred during the audit period.</p> <p>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.</p> <p><i>Refer recommendation 07/2014.</i></p>	D	NR

No <sub>3</sub>	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>
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
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

No <sub>3</sub>	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>
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

No <sub>3</sub>	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>
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 02/2014</u></p> <ol style="list-style-type: none"> <li>1. <i>The Shire should develop a written procedure for review of bills (rates notices with sewerage charges).</i></li> <li>2. <i>The procedure should be made publicly available on the Shire's website and in hardcopy.</i></li> <li>3. <i>The procedure should include:</i> <ol style="list-style-type: none"> <li>a) <i>what happens if the customer has been undercharged or overcharged;</i></li> <li>b) <i>what the customer can do if dissatisfied with outcome of the review;</i></li> <li>c) <i>that the customer may, but does not have to, use the licensee's complaints procedure before or instead of applying to the Water Services Ombudsman or making an appeal from, or applying for a review of, the decision that gave rise to the complaint, to the State Administrative Tribunal; and</i></li> <li>d) <i>that the licensee must inform the customer of the outcome of a review of the customer's bill as soon as practicable or otherwise less than 15 business days from the day the customer's request for review was received.</i></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

No <sub>3</sub>	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>
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



No <sub>3</sub>	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>
121.		Clause 22	Before receiving a bill payment by direct debit the licensee must obtain the express consent, either orally or in writing, of the holder of the account to be debited and of the customer or an adult person nominated by the customer, to do so.	4	Confirmed by reference to a sample of annual Rate Notices that customers can tick Direct Debit option on the Rate Notice indicating their consent.	A	1
122.	Payment in advance	Clause 23(1)	The licensee must accept payment in advance from a customer on a customer's request.	4	The Shire's staff confirmed that no request have been made by a customer to make a payment in advance during the audit period.	NP	NR
123.	Redirection of bills	Clause 24	The licensee must on request and at no charge redirect a customer's bills because of the customer's absence or illness.	4	This obligation is provided for in the Shire's Financial Hardship Policy. The Shire's staff 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 staff 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 3 July 2014.	A	1

No <sub>3</sub>	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>
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 Financial Hardship Policy that is duly approved by the Authority by 18 May 2014. The Shire did not submit a compliant policy to the Authority for approval by this date. Subsequently, the Authority advised the licensee that it had until 18 June 2014 to submit a compliant policy and supporting documentation. The Shire submitted a final copy of its policy and supporting information for consideration by the Authority by 18 June 2014 and the Shire's policy was approved by the Authority on 3 July 2014, as per the Authority's Decision – Outstanding Water Financial Hardship Policies dated 3 July 2014. The Auditor confirmed that this contravention of Clause 21.1 of the licence was reported on in the Shire's 2013/14 Compliance Report.	A	2
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
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

No <sub>3</sub>	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>
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 3 July 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 08/2014</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. There were no claims under this policy 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. There were no claims under this policy in the audit period.	A	NR
132.		Clause 28(1)	Before the licensee enters into a payment plan or other similar arrangement with a customer who is not the owner of the land in respect of which the water service is provided, the licensee must ensure that the owner is aware of the proposed plan or arrangement.	4	This obligation is included in the Shire's Financial Hardship Policy. There were no claims under this policy in the audit period.	A	NR

No <sub>3</sub>	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>
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. Also, no water has been used for irrigation in the audit period.	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

No <sub>3</sub>	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>
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 Customer Service Charter for Wastewater Services (revised November 2014) contains section on "Enquiries, Suggestions, Complaints and Disputes". The Charter is published on the Shire's website. This outlines the procedure for investigating and dealing with customers complaints in relation to 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 Customer Service Charter, the complaint procedure outlined in the Charter 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 Customer Service Charter and confirmed compliance.	A	1

No <sub>3</sub>	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>
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 Customer Service Charter does not inform the customer that they do not have to use the licensee's complaints procedure, provide details of procedures under the Act, nor does it 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><i>Recommendation 03/2014</i></p> <p><i>The Shire should update its complaints handling procedure in the Customer Service Charter to:</i></p> <ul style="list-style-type: none"> <li><i>a) state that a customer may, but does not have to, use the complaints procedure before or instead of the procedures under the Act i.e. applying to the Water Services Ombudsman or making an appeal from, or applying for a review of, the decision to the State Administrative Tribunal;</i></li> <li><i>b) in addition to an option of applying to the Water Services Ombudsman, list the option of making an appeal from, or applying for a review of, the decision that gave rise to the complaint to the State Administrative Tribunal; and</i></li> <li><i>c) set out the benefits to the customer, in relation to time and costs, if the customer chooses to use the complaints procedure before or instead of the procedures under the Act i.e. Water Services Ombudsman or State Administrative Tribunal.</i></li> </ul>	C	2

No <sub>3</sub>	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	The definition of "publicly available" per Clause 3 of the Water Services Code of Conduct is website and hardcopy. The Shire's complaints handling procedure is outlined in the Shire's Customer Service Charter. The Charter is published on the Shire's website and available in hardcopy at the Shire's office.	A	1
150 151.	No charge for information	Clause 36(1)	The licensee must provide a customer with the specified services on request and at no charge.	4	Under this Section of Code the licensee must provide a customer with the following on request and at no charge: a) services for account, payment and general enquiries for use by customers with hearing or speech impaired; b) interpreter services for account, payment and general enquiries; c) a large-print version of any of the licensee's publicly available documents. The Shire's EHO advised that, during the audit period, no such request has been received by the licensee.	A	NR
152.	Access to customer information	Clause 36(2)	The licensee must make available to each customer the customer's personal account information.	4	The Shire's EHO confirmed that the customer's personal account information is made available to each customer upon request. The Shire's EHO advised that, during the audit period, no such request has been received by the licensee.	A	NR

No <sub>3</sub>	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 “prescribed information” is set out in Section 37 of the Code and includes the fees and charges, bill payment options. Concessions, enquiry/translator services, powers of access to premises, interruptions to supply, etc.</p> <p>The auditor noted that this information is not currently available to customers. This information could be partially provided by obtaining a copy of the Department of Water’s Easy Reference Guide to the Water Services Code of Conduct and making this available on the Shire’s website and in hardcopy at the Shire’s office. However, there needs to be specific information in respect of the Shire’s fees and charges, payment options, etc.</p> <p><i>Recommendation 04/2014</i>  <i>The Shire should provide a brochure at the Shire office and on the website with the “prescribed information” for sewerage services as set out in Section 37 of the Code. This includes the fees and charges, bill payment options, discounts/concessions, enquiry/translator services, powers of access to premises, interruptions to supply, etc.</i></p>	C	3
<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 been introduced from 1 January 2015.	NP	NR



No <sub>3</sub>	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>
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.	4	The auditor reviewed compliance with the Water Services Act 2012 and the Water Services Regulations 2013 as per obligations listed in this audit report and concluded that the Shire complies with the Water Services Act 2012 and the Water Services Regulations 2013.	A	1
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.	4	No Codes of Practice have been issued by the Minister.	N/A	N/A
158.		Clause 5.3	The licensee must comply with any code of conduct made by the Authority to the extent it applies to the licensee and is not inconsistent with the terms and conditions of the licence.	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 Code of Conduct with the exception of non-compliances noted as in this audit. <i>Refer recommendations 02/2014 to 04/2014.</i>	B	2
159.		Clause 5.4	The licensee must comply with a direction from the Authority in relation to a breach of applicable legislation.	4	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.	4	The auditor reviewed the audited Shire's Financial Report for the audit period and confirmed compliance.	A	1

No <sub>3</sub>	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>
161.	Compliance with performance standards	Clause 13.1	The licensee must comply with any individual performance standards prescribed by the Authority.	4	<p>There are currently no individual performance standards set out in Schedule 3 of the Shire's licence WL16, 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 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 underlying information recording systems such as incident reports, complaints register and confirmed the accuracy and completeness of the data.</p>	A	1
162.	Operational audit	Clause 14.4	The licensee must cooperate with the independent expert and comply with the Authority's standard audit guidelines dealing with the operational audit.	4	This audit/review is designed in accordance with the Audit Guidelines and the licensee has fully cooperated.	A	1
163.	External administration	Clause 15.1(a), (b), (c)	The licensee must report to the Authority, in the manner prescribed, if a licensee is under external administration or there is a material change in the circumstances upon which the licence was granted which may affect a licensee's ability to meet its obligations.	4	The auditor confirmed by interview and review of the audited Shire's Financial Reports for the audit period that there was no external administration.	NP	NR

No <sub>3</sub>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
164.	Advise Authority of major or general works	Clause 15.1(d)	The licensee must report to the Authority within 10 business days of providing or undertaking water service works that are major works or general works.	4	<p>The auditor confirmed with the Shire's Acting Manager of Infrastructure and review of the Asset Management System documentation and drawings that no additional major works or general works have been proposed, provided or undertaken by the licensee during the audit period.</p> <p>However, there is no internal procedure in place to advise the Authority within 10 business days of any water service major or general works.</p> <p><i>Refer recommendation 07/2014.</i></p>	D	NR

No <sub>3</sub>	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.	3	<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 after the due date and this was reported as a non-compliance in the 2012/13 Compliance Report.</li> <li>• No evidence was available within the Shire's records to confirm that the Performance reports for 2012/13 and 2013/14 were submitted to the Authority by the due date. Therefore, the auditor was unable to confirm the timely submission of these reports.</li> </ul> <p><u>Recommendation 05/2014</u></p> <ul 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 keep a record of the submission of the Performance and Compliance reports to the Authority.</i></li> </ul> <p>Cont'd...</p>	C	2

No <sub>3</sub>	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>Also, 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><i>Refer recommendation 08/2014</i></p>		
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.	3	<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 with the information reporting requirements prescribed by the Water Compliance Reporting Manual.</p> <p>Section 9.3.2.3 of the Audit and Review Guidelines: Water Licenses July 2014 states that Authority expects licensees to maintain a compliance (or breach) register in respect of their licence conditions.</p> <p>The Shire's EHO 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><i>Recommendation 06/2014</i></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 <sub>3</sub>	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.	3	The auditor reviewed the Shire's correspondence with the Authority and Shire's Performance Reports for the years ending 30 June 2012, 2013 and 2014 and confirmed the Shire provided the Authority with the data required for performance reporting purposes in the time and format required.	A	1
168.	Publishing information	Clause 17.2	Subject to clause 17.3, the licensee must publish within the specified timeframe any information that the Authority has directed the licensee to publish under clause 17.1.	4	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.	4	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.	4	The Authority has been notified of and has approved the asset management system as part of the licence approval.	N/A	N/A
171.	Notify Authority of material change to AMS	Clause 20.2	The licensee must notify the Authority of any material change to the asset management system within 10 business days of the change.	3	<p>The auditor confirmed with the Shire's EHO that no material changes had been made to the asset management system in the audit period.</p> <p>However, 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><i>Refer Recommendations 01/2014 and 08/2014</i></p>	D	NR

No <sub>3</sub>	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>
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.	4	This review is being undertaken in accordance with the Audit and Review Guidelines and the licensee has fully cooperated.	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.	4	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).	4	There is currently no customer contract in place between the Shire and customers. There are no specific terms and conditions in Schedule 4 of the licence.	NP	NR
175.		Clause 23.1	If directed by the Authority, the licensee must submit a draft customer contract for approval.	4	As per item 174.	NP	NR
176.		Clause 23.2	The licensee must comply with any <i>Customer Contract Guidelines</i> that apply to the licensee	4	As per item 174.	NP	NR
177.		Clause 23.3	The licensee may only amend the customer contract with the Authority's approval.	4	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.	4	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.	4	As per item 174.	NP	NR

No <sub>3</sub>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
180.		Clause 24.4	If the licensee enters into an agreement that excludes, modifies or restricts the terms and conditions of the licence or the requirements of the <i>Customer Services Code</i> , the licensee must publish an annual report containing the information specified.	4	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.	4	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.	4	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-035(B).	N/A	N/A
183.	Financial hardship Policy guidelines	Clause 30.3	The licensee must comply with the Authority's Financial Hardship Policy Guidelines as they apply to the licensee.	4	The licensee's Financial Hardship Policy was approved by the Authority on 3 July 2014, as per Authority's Decision – Water Financial Hardship Policies dated 3 July 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



No <sub>3</sub>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
190.	Service and performance standards (if applicable)	Schedule 3	The licensee must comply with the service and performance standards as set out in Schedule 3.	2	<p>There are currently no service and performance standards set out in Schedule 3 of the Shire's licence WL16, 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 underlying 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
126	<p><b>Approval of Financial Hardship Policy</b>  <i>Water Services Code of Conduct (Customer Service Standards) 2013 Clause 26(3)</i>  <i>Non-compliant – minor impact</i></p> <p>The existing licensees had an obligation to have a hardship policy that is duly approved by the Authority by 18 May 2014. The licensee failed to submit a compliant Financial Hardship Policy to the Authority for approval by this date.</p> <p>Subsequently, the Authority advised the Shire that it had until 18 June 2014 to submit compliant hardship policy and supporting documentation. The Shire submitted a final copy of its outstanding hardship policy and supporting information for consideration by the Authority by 18 June 2014 and the Shire's Financial Hardship Policy was approved by the Authority on 3 July 2014, as per Authority's Decision – Outstanding Water Financial Hardship Policies dated 3 July 2014.</p>	<p>3 July 2014</p> <p>The Shire's Financial Hardship Policy was approved by the Authority on 3 July 2014.</p>	No further action required.

**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 – Clause 20.2.</i>  <b>Not rated.</b>                      The licensee must notify the Authority of any material change to the asset management system within 10 business days of the change.                       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>	<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> </ol>	Nil
02/2014	<p><b>Review of Rates Notices with Sewerage Charges</b>  <i>Water Services Act 2012 section 27</i>  <i>Water Services Code of Conduct (Customer Service Standards) 2013 Clause 18(1) – 18(5)</i>  <i>Licence condition - Clause 5.3.</i>  <b>Non-compliant – minor impact</b>                      The licensee must have a written procedure for the review of a bill on the customer's request.                      The Shire does not have a written procedure for review of a bill on the customer's request.                      The Shire's staff advised that no request for review of the rates notices relating to sewerage charges had been received during the audit period.</p>	<ol style="list-style-type: none"> <li>1. The Shire should develop a written procedure for review of bills (rates notices with sewerage charges).</li> <li>2. The procedure should be made publicly available on the Shire's website and in hardcopy.</li> <li>3. The procedure should include:                             <ol style="list-style-type: none"> <li>a) what happens if the customer has been undercharged or overcharged;</li> <li>b) what the customer can do if dissatisfied with the outcome of the review</li> <li>c) that the customer may, but does not have to, use the licensee's complaints procedure before or instead of applying to the Water Services Ombudsman or making an appeal from, or applying for a review of, the decision that gave rise to the complaint, to the State Administrative Tribunal.</li> <li>d) That the licensee must inform the customer of the outcome of a review of the customer's bill as soon as practicable or otherwise less than 15 business days from the day the customer's request for review was received.</li> </ol> </li> </ol>	Nil

Reference (no./year)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating//Details)	Auditor's Recommendation	Management Action taken by end of audit period
03/2014	<p><b>Complaints Procedure</b></p> <p><i>Water Services Act 2012 section 27</i></p> <p><i>Water Services Code of Conduct (Customer Service Standards) 2013 Clause 35(4)</i></p> <p><i>Licence condition – Clause 5.3.</i></p> <p><b>Non-compliant – minor impact</b></p> <p>The Shire's complaints handling procedure as outlined in the Shire's Customer Service Charter does not inform the customer that they do not have to use the licensee's complaints procedure, provide details of procedures under the Act, nor does it 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>The Shire should update its complaints handling procedure in the Customer Service Charter to:</p> <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 before or instead of the procedures under the Act i.e. Water Services Ombudsman or State Administrative Tribunal.</li> </ul>	Nil
04/2014	<p><b>Prescribed Information to be Available in Hardcopy and on Website</b></p> <p><i>Water Services Act 2012 section 27</i></p> <p><i>Water Services Code of Conduct (Customer Service Standards) 2013 Clause 37(1)</i></p> <p><i>Licence condition – Clause 5.3.</i></p> <p><b>Non-compliant – minor impact</b></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 "prescribed information" is set out in Section 37 of the Code and includes the fees and charges, bill payment options. Concessions, enquiry/translator services, powers of access to premises, interruptions to supply, etc.</p> <p>The auditor noted that this information is not currently available to customers. This information could be partially provided by obtaining a copy of the Department of Water's</p>	<p>The Shire should provide a brochure at the Shire office and on the website with the "prescribed information" for sewerage services as set out in Section 37 of the Code. This includes the fees and charges, bill payment options, discounts/concessions, enquiry/translator services, powers of access to premises, interruptions to supply, etc.</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
	<p>Easy Reference Guide to the Water Services Code of Conduct and making this available on the Shire's website and in hardcopy at the Shire's office. However, there also needs to be specific information in respect of the Shire's fees and charges, payment options, etc.</p>		
05/2014	<p><b>Performance and Compliance Reporting</b>  <i>Licence Conditions – Specific Clauses – Provision of Information Clauses 16(1)</i>  <i>Non-compliant – minor impact</i></p> <p>In accordance with the Water Compliance Reporting Manual April 2014, the Shire is required to submit to the Authority:</p> <ul style="list-style-type: none"> <li>• Annual performance reports no later than 31 July for the reporting year ending 30 June; and</li> <li>• Annual compliance reports by 31 August for the year ending 30 June.</li> </ul> <p>The auditor reviewed the Shire's correspondence with the Authority and the Compliance and Performance Reports for 2011/12, 2012/13, 2013/14 and noted the following exceptions:</p> <ul style="list-style-type: none"> <li>• The 2011/12 Compliance Report was submitted after the due date and this was reported as a non-compliance in the 2012/13 Compliance Report.</li> <li>• No evidence was available within the Shire's records to confirm that the Performance reports for 2012/13 and 2013/14 were submitted to the Authority by the due date. Therefore, the auditor was unable to confirm the timely submission of these reports.</li> </ul>	<ol style="list-style-type: none"> <li>1. The Shire should ensure that all future Compliance and Performance Reports are submitted to the Authority within the timeframes required.</li> <li>2. The Shire should keep a record of the submission of the Performance and Compliance reports to the Authority.</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
06/2014	<p><b>Compliance Register</b> <i>Licence condition – Clause 16.2</i> <i>Non-compliant – minor impact</i></p> <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 with the information reporting requirements prescribed by the Water Compliance Reporting Manual.</p> <p>Section 9.3.2.3 of the Audit and Review Guidelines: Water Licenses July 2014 states that Authority expects licensees to maintain a compliance (or breach) register in respect of their licence conditions.</p> <p>The Shire's EHO 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>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
07/2014	<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), 129(5), 139(3), 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 8, 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 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, timeliness of connections, 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>	Nil

Reference (no./year)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating//Details)	Auditor's Recommendation	Management Action taken by end of audit period
	<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>Although the audit confirmed these activities had not occurred in the audit period, there are no documented internal procedures that would ensure compliance with these conditions of the licence in future.</p>		
08/2014	<p><b>Compliance Schedule</b>  <i>Water Services Act 2012 sections 24(1)(b).</i>  <i>Water Services Code of Conduct (Customer Service Standards) 2013 Clauses 26(6).</i>  <i>Licence condition – Specific Clauses – Clauses 16(1) and 20(2).</i>  <b>Not rated</b></p> <p>The Shire's staff were unable to locate the Shire's Compliance Deadlines Schedule that was in place during the previous audit period.</p> <p>Therefore, 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; and the requirements to notify the Authority of any significant changes to the asset management system or building works within 10 business days, to ensure that 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 Dumbleyung has:

- a) complied with its licence obligations during the audit period from 1 December 2011 to 30 November 2014 with the exceptions of:
  - the Shire's Financial Hardship Policy due to be approved by the Authority by 18 May 2014 under the *clause 26(3) of the Water Services Regulation 2012* was not approved until 3 July 2014 due to a delay in its submission;
  - 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 Customer Service Charter does not contain all the information required under the *Water Services Code of Conduct (Customer Service Standards) 2013*.
  - Compliance reports are not always submitted by the due dates, records of reports submissions are not always kept and there is no Compliance Breach Register.
- b) not implemented any of the 3 recommended actions from the previous audit as follows:
  - 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.
  - ensure that annual Compliance reports are submitted by the due date;
- c) established an adequate control environment for ongoing compliance apart from the non-compliance issues noted above and the inadequate controls 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 Customer Service Charter to include the details required by the *Water Services Code of Conduct (Customer Service Standards) 2013*.
- ensure that all future Compliance and Performance Reports are submitted to the Authority within the timeframes required and keep record of the reports submissions.
- maintain a Compliance Breach register in respect of the licence.
- provide a brochure at the Shire office and on the website with the "prescribed information" for sewerage services as set out in Section 37 of the *Water Services*



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*Code of Conduct (Customer Service Standards) 2013.* This includes the fees and charges, bill payment options, discounts/concessions, enquiry/translator services, powers of access to premises, interruptions to supply, etc.

- 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, timeliness of connections, 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.
- 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.
- **Financial Planning** – previous review noted the full cost of the scheme is not being recovered.
- **Contingency Planning** - high inherent risk and previous review noted no detailed contingency plans or regular testing.

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

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

## 3.2 Asset Management Process and Performance Rating Scales

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

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

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

### Asset Management Performance ratings

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

### 3.3 Status of Previous Review Recommendations

Table of Previous Review Ineffective Components Recommendations				
Reference (no./year)  Compliance rating	Effectiveness Criteria/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details of further action required. (Including current recommendation ref. if applicable)
<b>A. Resolved before end of previous review period</b>				
	Nil			
<b>B. Resolved during current review period</b>				
	Nil			
<b>C. Unresolved at end of current review period</b>				
01/2011 C3	<p><b>Contingency Planning</b> <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>o Detailed procedures</li> <li>o Key local contact details – name, number and location</li> <li>o Communication protocols</li> <li>o Specifications, location and availability of emergency equipment</li> </ul>	-	<p>Yes – further action is required to develop the contingency plan</p> <p><i>Refer recommendation 15/2014</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)
		<ul style="list-style-type: none"> <li>o Authorities that need to be contacted and when.</li> <li>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.</li> </ul>		
02/2011 B3	<p><b>Financial Planning</b></p> <p><i>The financial plan provides for the operational and maintenance, administration and capital expenditure requirements of the service.</i></p> <p>The sewerage reserve had a balance of \$88,916 at 30 June 2011 with approximately \$33,000 transferred into the reserve each year.</p> <p>The Asset Management Plan for capital expenditure estimates that an annual annuity of \$103,328 is required from 2011/12 to replace assets over their lifecycle up to 2062. The current reserve is inadequate to cover the estimated capital expenditure annuity and higher transfers to the reserve will be needed in future years.</p> <p>The rates collected each year for the scheme of \$40,000 do not cover the average operations and maintenance cost of \$73,346 over the next 5 years</p> <p><i>(Note: The figure per the Asset Management Plan of \$86,790 is incorrect as it includes the one-off training cost of \$21,360 for the revised AMP as an ongoing cost each year).</i></p>	<p>a) Further consideration will need to be given to:</p> <ul style="list-style-type: none"> <li>i. recovering the full cost of the sewerage scheme from rates if operations and maintenance levels are to be maintained; and</li> <li>ii. transferring adequate funds to the sewerage reserve for the replacement of assets at their end of their life.</li> </ul> <p>b) In the next annual review of the AMP, the one off AMIS training cost of \$21,360 included in the Operational and Maintenance Cost spreadsheet should be corrected to zero for future years.</p>	-	<p>Yes – further action required to review and update the Asset Management Plan – Financial Summary section as well as the accompanying Financial Planning spreadsheet, to further consider recovering the full cost of the sewerage scheme from rates if operations and maintenance levels are to be maintained, to review adequacy of the sewerage reserve annually by comparison with the projected costs in the Financial Planning spreadsheet and to develop an asset replacement strategy for the replacement of the sewerage scheme assets at the end of their economic life.</p> <p><i>Refer recommendation 16/2014</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)
	The income and expenditure for the scheme is reviewed each April as part of the annual budget preparation.			
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 28/3/11. 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 18/2014</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				

ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA	Process and policy definition rating				Performance rating			
2.5 Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.		B				2		
<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	



ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA	Process and policy definition rating				Performance rating			
6.4 Failures are analysed and operational/maintenance plans adjusted where necessary.	A				1			
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				4
9.1 Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.				D				4
<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			

ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA	Process and policy definition rating				Performance rating			
10.3 The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	B					3		
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)			
		Process Rating <sup>7</sup>	B	Performance Rating <sup>8</sup>	3
1	<b>ASSET PLANNING</b>				
1.1	Asset management plan covers key requirements.	<p>The Shire of Dumbleyung Asset Management Plan (AMP) – March 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 Dumbleyung 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. <i>Refer recommendation 18/2014</i></p>			
1.2	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	<p>The Shire of Dumbleyung Asset Management Plan – March 2011 (AMP) includes the following mission statement: <i>“The mission of the Shire of Dumbleyung in providing this service is to provide cost effective wastewater collection, treatment and disposal services for the town of Dumbleyung, 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.	<p>The levels of service and performance parameters have been defined in the AMP. Performance is measured in performance reports to the Authority.</p>			
1.4	Non-asset options (e.g. demand management) are considered.	<p>The assets are considered appropriate for the current levels of demand.</p>			
1.5	Lifecycle costs of owning and operating assets are assessed.	<p>The Financial Planning Excel spreadsheet (dated March 2011) includes the lifecycle costs of owning the assets, including projection of income until 2021 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>			
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 Dumbleyung Sewerage Schemes.</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)
		<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 Dumbleyung 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>However, the AMP (March 2011) notes that the Shire does not have enough rates income for the sewerage scheme to cover the operational, maintenance and capital costs of replacement over the life of the scheme. The Shire have addressed the issue of inadequate sewerage rates by increasing the sewerage rate by 17% in 2012/13, by 14% in 2013/14 and by 12.6% in 2014/15 (as per the Shire's Budget for 2014/15). The current revenues from sewerage rates were \$67,730 in 2013/14 and are projected to \$77,163 (2014/15 rates) which is still insufficient to cover the operational, maintenance and capital costs of replacement over the life of the scheme.</p> <p>The Dumbleyung Sewerage Scheme Reserve is budgeted to have a balance of \$124,278 at the end of 2014/15 financial year, which is inadequate to cover the estimated capital expenditure annuity and higher transfers to the reserve will be needed in future years.</p> <p><i>Refer recommendation 16/2014.</i></p>
1.7	Costs are justified and cost drivers identified.	The Financial Planning Excel spreadsheet includes the lifecycle costs of owning the assets, including projection of income until 2021 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.
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 that was available for review is dated March 2011, corresponding with the AMP update in March 2011. No further updates of the worksheet were available beyond this date. Therefore, the reviewer concluded that the documentation available for review provided no evidence to substantiate that the probability and consequences of asset failure are being regularly assessed.</p> <p><i>Refer recommendation 14/2014</i></p>
1.9	Plans are regularly reviewed and updated.	<p>The Shire of Dumbleyung Asset Management Plan (AMP) – March 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 the Financial Planning Excel spreadsheet does not seem to have been updated since 2011.</p> <p>A review and update of the AMP and accompanying Excel spreadsheets is required to bring it up to date.</p> <p><i>Refer recommendation 18/2014</i></p>

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating	B	Performance Rating	2
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 during the review period. 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><u>Recommendation 09/2014</u></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 of this report, the Asset Condition and Performance Excel spreadsheet sighted was not populated with the assets</p>			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		condition data and performance information and the documentation available for review provided no evidence to substantiate that regular inspections of asset performance and condition are being undertaken. <i>Refer recommendation 11/2014</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, the Asset Condition and Performance Excel spreadsheet sighted was not populated with the assets' condition data and performance information. Also, the documentation available for review provided no evidence to substantiate that regular inspections of asset performance and condition are being undertaken. <i>Refer recommendation 11/2014</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.			
<b>4</b>	<b>ENVIRONMENTAL ANALYSIS</b>	Process Rating	<b>B</b>	Performance Rating	<b>2</b>
4.1	Opportunities and threats in the system environment are assessed.	Opportunities and threats for the system are considered in the AMP and in the risk assessment spreadsheet.			
4.2	Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved.	The Annual Performance Reports for 2011/12, 2012/13 and 2013/14 were sighted. Performance standards have been met with no blockages reported.			
4.3	Compliance with statutory and regulatory requirements.	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> <li>▪ Water Agencies (Powers) Act 1984.</li> </ul>			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<p>The Shire has a licence from the Department of Environmental Regulation for the treatment ponds but no reporting is required under the terms of this licence. There is no effluent re-use scheme currently in use and therefore no licence or reporting is required.</p> <p>The EHO monitors 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 09/2014.</i></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.	<p>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 (not in use).</p>			
5.2	Risk management is applied to prioritise operations tasks.	<p>The Asset Management Plan includes a risk assessment policy and this has been applied in developing a risk assessment register and the Annual Planned Maintenance program.</p> <p>The risk assessment register and the Annual Planned Maintenance program consider and include various components of the overall system including sewerage collection system (reticulation and pumping), Wastewater Treatment Plant and effluent re-use scheme. The water reuse is not in operation.</p>			
5.3	Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and accounting data.	<p>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).</p> <p>The latest version of the Asset Register worksheet that was available for review seems to be dated March 2011, corresponding with the AMP update in March 2011. No further updates of the worksheet were available beyond this date. Therefore, the new alarm monitoring system installed few years ago and a pump that was replaced in 2014 are not included in the Asset Register.</p>			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<p>The accounting data is adequately documented in the Financial Management Information System.</p> <p>The assets in the Asset Register are discretely numbered with an alpha-numeric asset number and include the relevant construction material, asset type and descriptions, construction dates and replacement values for all main asset groups including chambers, pipes and pumping stations, with the exception of waste water treatment plant. The Asset Register for the waste water treatment plant has not been populated, apart from the asset numbers. The reviewer also noted that some of the relevant fields in the Asset Register related to pumping stations are still marked with question marks. The water re-use is not in operation.</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 AMP states that 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 Asset Condition and Performance Excel spreadsheet sighted was not populated with the assets condition data and performance information.</p> <p><i>Refer recommendation 11/2014</i></p> <p><u><i>Recommendation 10/2014</i></u></p> <p><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 alarm monitoring system) 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. 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. The water re-use scheme is not in operation.
5.5	Staff resources are adequate and staff receive training commensurate with their responsibilities.	<p>The latest available update of the AMP is dated March 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> </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>Works staff – maintenance tasks as advised by the EHO.</li> <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>There are adequate staff resources and staff receive adequate training through on-the-job training about the Scheme and by applying the Shire's Asset Management Plan and work procedures.</p>			
<b>6</b>	<b>ASSET MAINTENANCE</b>	Process Rating	<b>C</b>	Performance Rating	<b>3</b>
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) and Wastewater Treatment Plant. The water re-use scheme is not in operation.</p>			
6.2	Regular inspections are undertaken of asset performance and condition.	<p>The AMP states that the asset condition appraisal inspections were conducted in October 2010 for the AMP, however the Asset Condition and Performance Excel spreadsheet sighted was not populated with the assets condition data and performance information.</p> <p>The documentation available for review provided no evidence to substantiate that regular inspections of asset performance and condition are being undertaken.</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. 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 at the primary stabilisation pond. The secondary stabilisation pond was not fenced, however \$10,000 was already allocated for sewerage pond fence in the Shire's Budget for 2014/15.</p> <p><u><i>Recommendation 11/2014</i></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 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>			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
6.3	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	<p>An Annual Maintenance Management Plan for 2013/14 was sighted. 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. The documentation available for review provided evidence to substantiate that routine maintenance is carried out as planned, although some maintenance issues were noted as outlined below.</p> <p>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. The Assessment Report identified a number of issues in regards to the maintenance of Wastewater Treatment Plant (WWTP) as follows:</p> <ul style="list-style-type: none"> <li>• Erosion on banks at the primary stabilisation pond needs to be fixed;</li> <li>• Secondary stabilisation pond shall be fenced with a +1.8m mesh fence;</li> <li>• Material stored close to Imhoff tank need to be removed;</li> <li>• Inflow effluent meter should be installed to determine effluent volumes to the WWTP; and</li> <li>• Warning signs at the entrance of the WWTP need to be installed.</li> </ul> <p>The reviewer was advised by the Shire's EHO that works to implement the recommendations from the DOH's Assessment Report will be done in 2015 and installation of the inflow meter will be considered in the Shire's Budget for 2015/16.</p> <p>The DOH's Assessment Report also advised that the Dumbleyung recycled water scheme approval has been rescinded. The reviewer was advised that the Shire's Effluent Reuse Scheme in Dumbleyung has not been used since 2009 due to advice from the Shire's EHO that the scheme was no longer to be used until the disinfection system was replaced. Council considered the cost of such replacement at the time to be prohibitive and in the meantime gained access to stormwater stored in the Water Corporation's dam in Dumbleyung. As such the Dumbleyung Effluent Reuse Scheme will not be used again in the future unless the disinfection system is replaced. Should Council aim to reuse treated effluent from Dumbleyung Wastewater Treatment Plant in future, an application in accordance with the requirements of the <i>Guidelines for the Non-Potable Uses of Recycled Water in Western Australia (2011)</i> needs to be submitted to the Executive Director Public Health (EDPH) for approval.</p> <p><u>Recommendation 12/2014</u></p> <p>a) <i>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.</i></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</p>

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		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 are rare but these are analysed at the time and operational/maintenance plans adjusted, as well as in the annual budgeting procedures as part of the Shire's annual budget preparation.			
6.5	Risk management is applied to prioritise maintenance tasks.	<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) and Wastewater Treatment Plant. The water re-use is not in operation.</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 March 2011) which refers to each spreadsheet included in the Appendices.</p> <p>As noted in the Asset Management Practices section of the AMP, the EHO is a custodian of the AMP as well as all accompanying spreadsheets. Apart from the drawing information system, the EHO is responsible for the entire Asset Management System documentation update, management, storage and back-up.</p> <p>In order to ensure that the data is being passed on to the Shire for record keeping and backup, the Shire should improve their Asset Management System documentation record-keeping practices and policy.</p> <p><u><i>Recommendation 13/2014</i></u></p> <ol style="list-style-type: none"> <li><i>1. 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>2. 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>			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
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.			
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, the Shire should improve their Asset Management System documentation record-keeping practices and policy to ensure that the data is being passed on to the Shire for record keeping and backup. There was no evidence that backups are regularly tested. <i>Refer recommendation 13/2014</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>			
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.			
<b>8</b>	<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 – March 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 which seems to be dated March 2011, corresponding with the AMP update in March 2011. No further updates of the Risk Assessment worksheet were available for review. <i>Refer section 8.3 below.</i></p>			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)				
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. There were no risks or processes identified with inherent risks that were either significant or higher to warrant mitigation and management strategies.</p> <p>The risk assessment concluded that 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. No actions were needed to manage or mitigate these 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 seems to be dated March 2011, corresponding with the AMP update in March 2011. No further updates of the worksheet were available beyond this date. Therefore, the reviewer concluded that the documentation available for review provided no evidence to substantiate that the probability and consequences of asset failure are 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><u><i>Recommendation 14/2014</i></u></p> <ol style="list-style-type: none"> <li><i>1. 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>2. The Shire should ensure that treatment plans are actioned and monitored.</i></li> <li><i>3. 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	<b>CONTINGENCY PLANNING</b>	<table border="0" style="width: 100%;"> <tr> <td style="text-align: right;">Process Rating</td> <td style="background-color: red; color: white; text-align: center; width: 40px;">D</td> <td style="text-align: right;">Performance Rating</td> <td style="background-color: red; color: white; text-align: center; width: 40px;">4</td> </tr> </table>	Process Rating	D	Performance Rating	4
Process Rating	D	Performance Rating	4			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
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.</p> <p><u><i>Recommendation 15/2014</i></u></p> <ol style="list-style-type: none"> <li><i>1. 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>o Detailed procedures</i></li> <li><i>o Key local contact details – name, number and location</i></li> <li><i>o Communication protocols</i></li> <li><i>o Specifications, location and availability of emergency equipment</i></li> <li><i>o Authorities that need to be contacted and when.</i></li> </ul> <ol style="list-style-type: none"> <li><i>2. 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></li> </ol>

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating	B	Performance Rating	3
10	<b>FIN/ANCIAL PLANNING</b>				
10.1	The financial plan states the financial objectives and strategies and actions to achieve the objectives.	The AMP has a broad financial plan that sets out the strategy and objectives.			
10.2	The financial plan identifies the source of funds for capital expenditure and recurrent costs.	<p>The Shire maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Dumbleyung 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 Dumbleyung 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>However, the AMP (March 2011) notes that the Shire does not have enough rates income for the sewerage scheme to cover the operational, maintenance and capital costs of replacement over the life of the scheme. The Shire have addressed the issue of inadequate sewerage rates by increasing the sewerage rate by 17% in 2012/13, by 14% in 2013/14 and by 12.6% in 2014/15 (as per the Shire's Budget for 2014/15). The current revenues from sewerage rates were \$67,730 in 2013/14 and are projected to \$77,163 (2014/15 rates) which is still insufficient to cover the operational, maintenance and capital costs of replacement over the life of the scheme.</p> <p>The Dumbleyung Sewerage Scheme Reserve is budgeted to have a balance of \$124,278 at the end of 2014/15 financial year, which is inadequate to cover the estimated capital expenditure annuity and higher transfers to the reserve will be needed in future years.</p> <p><i>Refer recommendation 16/2014.</i></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 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 does not seem to have been 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>The AMP (March 2011) notes that the Shire does not have enough rates income for the sewerage scheme to cover the operational, maintenance and capital costs of replacement over the life of the scheme. The Plan notes that the Shire needs an annuity of \$103,328 for capital replacement and the average operations and the average maintenance cost over the next 5 years is projected to be \$30,542 (as per the Financial Planning Excel spreadsheet).</p>			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<p>The Shire have addressed the issue of inadequate sewerage rates by increasing the sewerage rate by 17% in 2012/13, by 14% in 2013/14 and by 12.6% in 2014/15 (as per the Shire's Budget for 2014/15). The current revenues from sewerage rates were \$67,730 in 2013/14 and are projected to \$77,163 (2014/15 rates) which is still insufficient to cover the operational, maintenance and capital costs of replacement over the life of the scheme.</p> <p>The surplus on operations is to be transferred to the sewerage reserve. However, the reviewer noted that only \$2,155 was transferred to the sewerage reserve in 2014/13 and \$7,498 is budgeted to be transferred to the sewerage reserve in 2014/15. The Dumbleyung Sewerage Scheme Reserve is budgeted to have a balance of \$124,278 at the end of 2014/15 financial year, which is inadequate to cover the estimated capital expenditure annuity and higher transfers to the reserve will be needed in future years.</p> <p>As noted in the Shire's Strategic Community Plan Our 2012-20 Vision, the Shire plans to develop a separate Dumbleyung Sewerage Scheme Asset Replacement &amp; upgrade replacement strategy that would determine an optimum replacement strategy based around the likely life of the system given the current condition. The planned replacement of assets would not commence until 2019/20 per the lifecycle costing (staged replacement of clay piping over 50 years old with PVC). The Replacement Strategy was planned to be developed in 2012/13, however this was still outstanding at the time of this AMS review.</p> <p><u>Recommendation 16/2014</u></p> <ul style="list-style-type: none"> <li>a) <i>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 Dumbleyung 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></li> <li>b) <i>Further consideration should be given to recovering the full cost of the sewerage scheme from rates if operations and maintenance levels are to be maintained.</i></li> <li>c) <i>The adequacy of the sewerage reserve should be reviewed annually by comparison with the projected costs in the Financial Planning spreadsheet.</i></li> <li>d) <i>As noted in the Shire's Strategic Community Plan Our 2012-20 Vision, an asset replacement strategy should be developed for the replacement of the sewerage scheme assets at the end of their economic life.</i></li> </ul>
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 includes a projection of income each year until 2021. As noted in section 10.3 the financial projections seem to not to have not been updated since 2011. <i>Refer recommendation 16/2014.</i>



Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
10.5	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	<p>The Financial Planning Excel spreadsheet 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 does not seem to have been 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><i>Refer recommendation 16/2014.</i></p>			
10.6	Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.	Variations in actual and budget income and expenses are identified in monthly reports and reviewed by the Executive and Council for action required.			
<b>11</b>	<b>CAPITAL EXPENDITURE PLANNING</b>	Process Rating	<b>B</b>	Performance Rating	<b>3</b>
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	<p>The Financial Planning Excel spreadsheet 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>However, the Financial Planning Excel spreadsheet does not seem to have been updated since 2011.</p> <p><i>Refer section 11.1 below.</i></p>			
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.	<p>The latest version of the capital expenditure plan worksheet that was available for review seems to be dated March 2011, corresponding with the AMP update in March 2011. No further updates of the worksheet were available beyond this date.</p> <p>The capital expenditure plan is consistent with the asset life and condition as per the asset condition appraisal inspections were conducted in October 2010 for the AMP. However, no record of condition appraisal results were available for review, as the Asset Condition and Performance Excel spreadsheet sighted was not populated with the assets condition data and performance information.</p> <p>As the condition of assets has not been re-assessed since 2010, this may result in changes to the projected expenditure, annuity provision and the balance of the sewerage reserve.</p> <p><i>Refer section 11.1 below.</i></p>			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	<p>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. However, the Financial Planning Excel spreadsheet has not been updated since 2011. The latest version of the Financial Planning Excel worksheet that was available for review seems to be dated March 2011, corresponding with the AMP update in March 2011. No further updates of the worksheet were available beyond this date.</p> <p><i>Recommendation 17/2014</i></p> <p><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, the condition of assets may have changed and this may result in changes to the projected expenditure and affect the capital replacement annuity that needs to be set aside in the sewerage reserve.</i></p>			
<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.	<p>The AMP was issued in March 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 the Financial Planning Excel spreadsheet does not seem to have been updated since 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 28/3/11. 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><i>Recommendation 18/2014</i></p> <ul style="list-style-type: none"> <li><i>a) The Shire should review and update the AMP and accompanying Excel spreadsheets to bring it up to date.</i></li> <li><i>b) The Shire should ensure that the AMP is revised at least every five years and when any significant changes occur and accompanying Excel spreadsheets reviewed and updated annually.</i></li> <li><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></li> <li><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></li> </ul>			

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Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
12.2	Independent reviews (e.g. internal audit) are performed of the asset management system.	An independent review is performed every 2 years as required by the licence or such other period as advised by the Authority.

### 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
09/2014 <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
10/2014 <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</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 alarm monitoring system) and that	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>assessment of assets' physical/structural condition and accounting data.</i></p> <p>There are no drawing register or "As Constructed" drawings stored on site. The information within the asset register was extracted from the original construction drawings. Drawings are not available electronically. The AMP provides a summary description of each installation within the scheme. A detailed listing of assets is documented in the Asset Register for the scheme (Excel worksheet).</p> <p>The latest version of the Asset Register worksheet that was available for review seems to be dated March 2011, corresponding with the AMP update in March 2011. No further updates of the worksheet were available beyond this date. Therefore, the new alarm monitoring system installed few years ago, 50 new connections completed in 2013 and a pump that was replaced in 2014 are not included in the Asset Register.</p> <p>The assets in the Asset Register are discretely numbered with an alpha-numeric asset number and include the relevant construction material, asset type and descriptions, construction dates and replacement values for all main asset groups including chambers, pipes and pumping stations, with the exception of waste water treatment plant. The part of the Asset Register related to waste water treatment plant has not been populated, apart from the asset numbers. The reviewer also noted that some of the relevant fields in the Asset Register related to pumping stations are still marked with question marks. The water re-use is not in operation.</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>all required information, including the GPS co-ordinates, is recorded for all asset groups.</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
11/2014 <b>C3</b>	<p><b>Asset Maintenance - Inspections</b> <i>Regular inspections are undertaken of asset performance and condition.</i></p> <p>The AMP states that the asset condition appraisal inspections were conducted in October 2010 for the AMP, however the Asset Condition and Performance Excel spreadsheet sighted was not populated with the assets condition data and performance information.</p> <p>The documentation available for review provided no evidence to substantiate that regular inspections of asset performance and condition are being undertaken.</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 priorities 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>c) The Shire should resume the annual condition appraisal program of all assets.</p>	Nil
12/2014 <b>C3</b>	<p><b>Asset Maintenance – Completion of Maintenance</b> <i>Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.</i></p> <p>An Annual Maintenance Management Plan for 2013/14 was sighted. 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. The documentation available for review provided evidence to substantiate that routine maintenance is carried out as planned, although some maintenance issues were noted as outlined below.</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. 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 at the primary stabilisation pond. The secondary stabilisation pond</p>	<p>a) 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>	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>was not fenced, however \$10,000 was already allocated for sewerage pond fence in the Shire's Budget for 2014/15.</p> <p>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. The Assessment Report noted identified a number of issues in regards to the maintenance of Wastewater Treatment Plant (WWTP) as follows:</p> <ul style="list-style-type: none"> <li>• Erosion on banks at the primary stabilisation pond needs to be fixed;</li> <li>• Secondary stabilisation pond shall be fenced with a +1.8m mesh fence;</li> <li>• Material stored close to Imhoff tank need to be removed;</li> <li>• Inflow effluent meter should be installed to determine effluent volumes to the WWTP; and</li> <li>• Warning signs at the entrance of the WWTP need to be installed.</li> </ul> <p>The reviewer was advised by the Shire's EHO that works to implement the recommendations from the DOH's Assessment Report will be done in 2015 and installation of the inflow meter will be considered in the Shire's Budget for 2015/16.</p> <p>The DOH's Assessment Report also advises that the Dumbleyung recycled water scheme approval has been rescinded. The reviewer was advised that the Shire's Effluent Reuse Scheme in Dumbleyung has not been used since 2009 due to advice from the Shire's EHO that the scheme was no longer to be used until the disinfection system was replaced. Council considered the cost of such replacement at the time to be prohibitive and in the meantime gained access to</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
	stormwater stored in the Water Corporation's dam in Dumbleyung. As such the Dumbleyung Effluent Reuse Scheme will not be used again in the future unless the disinfection system is replaced. Should Council aims to reuse treated effluent from Dumbleyung Wastewater Treatment Plant in future, an application in accordance with the requirements of the <i>Guidelines for the Non-Potable Uses of Recycled Water in Western Australia (2011)</i> needs to be submitted to the Executive Director Public Health (EDPH) for approval.		
13/2014 <b>C3</b>	<p><b>Asset Management Information System</b> <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 March 2011) which refers to each spreadsheet included in the Appendices.</p> <p>As noted in the Asset Management Practices section of the AMP, the EHO is a custodian of the AMP as well as all accompanying spreadsheets. Apart from the drawing information system, the EHO is responsible for the entire Asset Management System documentation update, management, storage and back-up.</p> <p>In order to ensure that the data is being passed on to the Shire for record keeping and backup, the Shire should improve their Asset Management System documentation record-keeping practices and policy.</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
14/2014 <b>B3</b>	<p><b>Risk management</b> <i>The probability and consequences of asset failure are regularly assessed.</i></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</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 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 seems to be dated March 2011, corresponding with the AMP update in March 2011. No further updates of the worksheet were available beyond this date. Therefore, the reviewer concluded that the documentation available for review provided no evidence to substantiate that the probability and consequences of asset failure are 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>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>	
15/2014 <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 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</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 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> </ul>	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>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>	<ul style="list-style-type: none"> <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>	
16/2014 <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 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 does not seem to have been 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</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 Dumbleyung 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> <p>b) Further consideration should be given to recovering the full cost of the sewerage scheme from rates if operations and maintenance levels are to be maintained.</p>	Nil

<b>B. Unresolved at end of current review period</b>			
<b>Reference (no./year) Compliance rating</b>	<b>Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)</b>	<b>Auditor's Recommendation</b>	<b>Management Action taken by end of audit period</b>
	<p>changes to the projected expenditure, annuity provision and the balance of the sewerage reserve.</p> <p>The AMP (March 2011) notes that the Shire does not have enough rates income for the sewerage scheme to cover the operational, maintenance and capital costs of replacement over the life of the scheme. The Plant notes that the Shire needs an annuity of \$103,328 for capital replacement and the average operations and the average maintenance cost over the next 5 years is projected to be \$30,542 (as per the Financial Planning Excel spreadsheet).</p> <p>The Shire have addressed the issue of inadequate sewerage rates by increasing the sewerage rate by 17% in 2012/13, by 14% in 2013/14 and by 12.6% in 2014/15 (as per the Shire's Budget for 2014/15). The current revenues from sewerage rates were \$67,730 in 2013/14 and are projected to \$77,163 (2014/15 rates) which is still insufficient to cover the operational, maintenance and capital costs of replacement over the life of the scheme.</p> <p>The surplus on operations is to be transferred to the sewerage reserve. However, the reviewer noted that only \$2,155 was transferred to the sewerage reserve in 2014/13 and \$7,498 is budgeted to be transferred to the sewerage reserve in 2014/15. The Dumbleyung Sewerage Scheme Reserve is budgeted to have a balance of \$124,278 at the end of 2014/15 financial year, which is inadequate to cover the estimated capital expenditure annuity and higher transfers to the reserve will be needed in future years.</p> <p>As noted in the Shire's Strategic Community Plan Our 2012-20 Vision, the Shire plans to develop a separate Dumbleyung Sewerage Scheme Asset Replacement &amp; upgrade replacement strategy that would determine an optimum replacement strategy based around the likely life of the system</p>	<p>c) The adequacy of the sewerage reserve should be reviewed annually by comparison with the projected costs in the Financial Planning spreadsheet.</p> <p>d) As noted in the Shire's Strategic Community Plan Our 2012-20 Vision, an asset replacement strategy should be developed for the replacement of the sewerage scheme assets at the end of their economic life.</p>	

<b>B. Unresolved at end of current review period</b>			
<b>Reference (no./year) Compliance rating</b>	<b>Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)</b>	<b>Auditor's Recommendation</b>	<b>Management Action taken by end of audit period</b>
	given the current condition. The planned replacement of assets would not commence until 2019/20 per the lifecycle costing (staged replacement of clay piping over 50 years old with PVC). The Replacement Strategy was planned to be developed in 2012/13, however this was still outstanding at the time of this AMS review.		
17/2014 <b>B3</b>	<p><b>Capital Expenditure Plan – Update</b></p> <p><i>There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.</i></p> <p>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.</p> <p>However, the Financial Planning Excel spreadsheet does not seem to have been updated since 2011. The latest version of the Financial Planning Excel worksheet that was available for review seems to be dated March 2011, corresponding with the AMP update in March 2011. No further updates of the worksheet were available beyond this date.</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, the condition of assets may have changed and this may result in changes to the projected expenditure and affect the capital replacement annuity that needs to be set aside in the sewerage reserve.	Nil
18/2014 <b>B3</b>	<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>The AMP was issued in March 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 the Financial Planning Excel spreadsheet does not seem to have been updated since 2011.</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 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</p>	Nil

<b>B. Unresolved at end of current review period</b>			
<b>Reference (no./year) Compliance rating</b>	<b>Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)</b>	<b>Auditor's Recommendation</b>	<b>Management Action taken by end of audit period</b>
	<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 28/3/11. 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>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.

There have been no significant changes to the scheme during the review period apart water re-use scheme not being used during the review period.

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 Dumbleyung has:

- a) not implemented the three recommendations from the previous review, as follows:
  - develop and test detailed contingency plans for failure of assets and other potential events.
  - recover the full cost of the sewerage scheme from rates if operations and maintenance levels are to be maintained; and transferring adequate funds to the sewerage reserve for the replacement of assets at their end of their life. Also, the Operational and Maintenance Cost spreadsheet in the AMP has not been updated yet.
  - include a record of changes in the Asset Management Plan document; and
- b) established an adequate control environment for ongoing compliance in respect of the asset management system with the exception of:
  - no review and update of the Asset Management Plan.
  - no annual assessment of the condition of the assets.
  - detailed contingency plans have not been developed and tested.

The review recommended that the Shire:

- a) review and update the Asset Management Plan including the legislative requirements, changes to the asset register, risk assessment, financial plan and capital expenditure plan;
- b) 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.
- c) 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.
- d) 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.
- e) 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.
- f) 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.
- g) develop and test contingency plans.
- h) give further consideration to recovering the full cost of the sewerage scheme from rates, if operations and maintenance levels are to be maintained.
- i) review the adequacy of the sewerage reserve annually by comparison with the projected costs in the Financial Planning spreadsheet.

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- j) as noted in the Shire's Strategic Community Plan Our 2012-20 Vision, an asset replacement strategy should be developed for the replacement of the sewerage scheme assets at the end of their economic life.
  - k) 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 is being adequately maintained, is in reasonable working order and there have been no customer complaints or failures of any assets. However, there needs to be improvements in the performance of the processes set out in the Asset Management Plan in order to maintain an effective asset management 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 Dumbleyung. 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.



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- 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 Dumbleyung - Water Operating Licence WL 16 – versions 2 and 3.
- Dumbleyung Operating Area (Sewerage and Non-potable water supply services) Plan No. OWR-OA-057(B).
- Audit Report - Shire of Dumbleyung Water Licence - Operational Audit and Asset Management System Review– July 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
- Financial Hardship Policy
- Annual Shire Rates Notice
- Shire's Fees and Charges Schedule 2013/14 and 2014/15

### **Asset Management System**

- Shire of Dumbleyung - Asset Management Plan for Sewerage and Effluent Reuse Scheme Assets (March 2011)
- Asset Register
- Asset Inspection Reports
- Asset Register spreadsheets

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

**Shire Planning and Financial Information**

- Financial Planning Excel spreadsheet (Appendix D of the AMP)
- Annual Financial Reports
- Shire of Dumbleyung 2014-2015 Budget
- Shire of Dumbleyung Strategic Community Plan Our 2012-20 Vision
- Annual Shire Rates Notice.

**A3. Licensee’s Representatives**

The Shire’s primary contacts were:

- Matthew Giffellon – Chief Executive Officer (CEO)
- Maurice Walsh – Environmental Health Officer (EHO)

**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