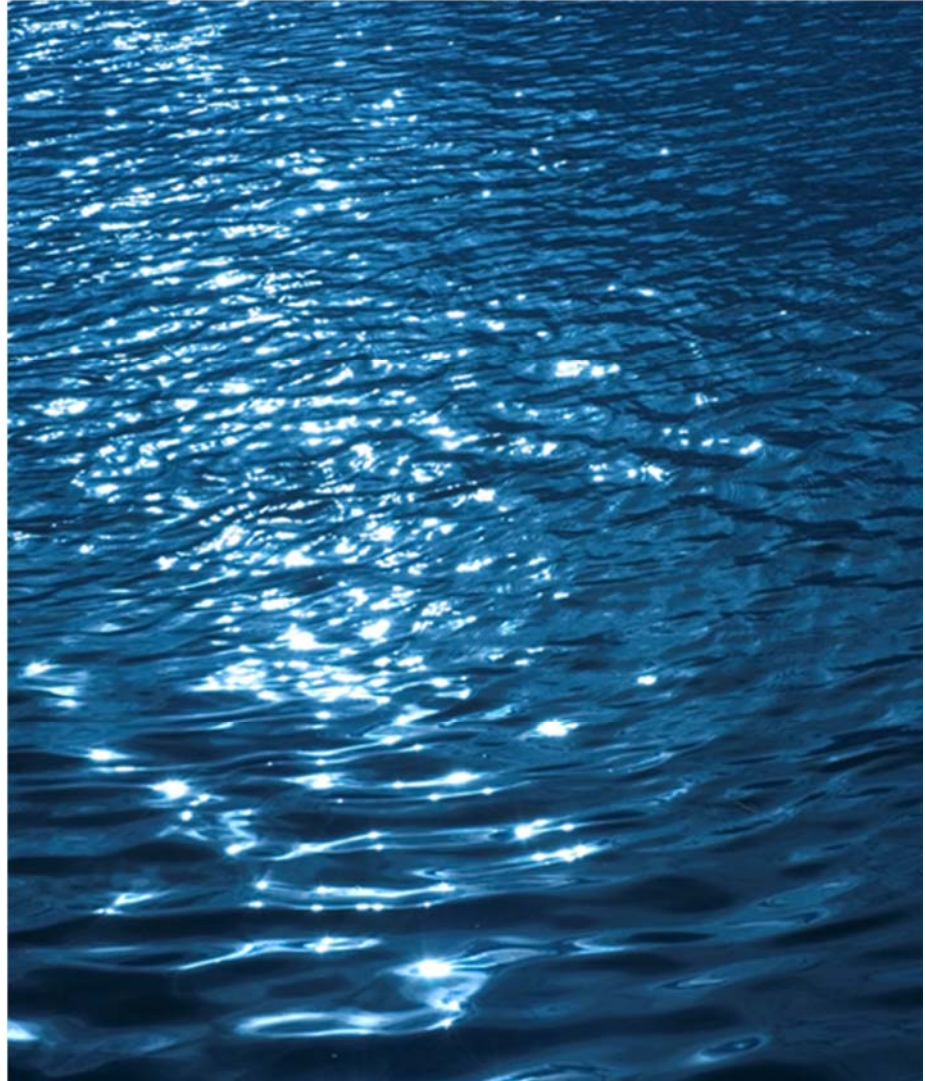




Quantum  
Assurance



**Aquasol Pty Ltd**

**Operational Audit and Asset Management System Review  
Water Licence WL42 (potable, non-potable and sewerage)**

**Report**  
Economic Regulation Authority  
28 May 2015

---

## TABLE OF CONTENTS

1. Executive Summary .....	4
1.1 Background .....	4
1.2 Operational Audit.....	4
1.3 Asset Management System Review.....	5
2. Operational Audit .....	7
2.1 Introduction.....	7
2.2 Objectives and Scope .....	7
2.3 Audit Compliance and Controls Rating Scale .....	8
2.4 Status of Previous Audit Recommendations .....	8
2.5 Summary of Audit Ratings of Controls and Compliance .....	9
2.6 Audit Observations and Recommendations.....	13
2.7 Current Audit Non-Compliances and Recommendations .....	60
2.8 Conclusion.....	66
3. Asset Management System Review .....	67
3.1 Objectives and Scope .....	67
3.2 Asset Management Process and Performance Rating Scales .....	68
3.3 Status of Previous Review Recommendations .....	68
3.4 Summary of Asset Management System Effectiveness Ratings .....	69
3.5 Review Observations and Recommendations .....	73
3.6 Current Review Asset System Deficiencies and Recommendations.....	89
3.7 Conclusion.....	97
Appendix A - Methodology .....	98
A1. Audit and Review Approach .....	98
A2. Key Documents and Information Sources.....	99
A3. Licensee's Representatives .....	100
A4. Audit and Review Team and Hours.....	100

Quantum Management Consulting and Assurance

ABN 83 083 848 168 Liability limited by a scheme approved under Professional Services Legislation

Level 28 AMP Tower, 140 St Georges Terrace, Perth **M.** PO Box 6882, East Perth WA 6892

**T.** 08 9278 2570 **F.** 08 9278 2571

**E.** [mail@quantumassurance.com.au](mailto:mail@quantumassurance.com.au) **W.** [www.quantumassurance.com.au](http://www.quantumassurance.com.au)

---

**Limitations of this Report**

This report was prepared for distribution to the Economic Regulation Authority and the Aquasol Pty Ltd for the purpose of fulfilling Aquasol'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 Aquasol Pty Ltd, 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.

*This page left blank.*



---

## 1. Executive Summary

---

### 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 Aquasol's for the provision of potable and non-potable water supply and sewerage services in the Lancelin South operating area, to comply with the licensing requirements of the Authority.

Aquasol provides waste water (sewerage) treatment services as well as water treatment services (potable and non-potable) for the residential and industrial development, known as Lancelin South, which is located 2.2km south east of the Lancelin Town site, on Lot 5243 and Lot 9505 Lancelin Road. The land development is currently divided into three Phases – Phase 1 will comprise a total of 250 lots, Phase 2 will increase this to 1,000 lots and Phase 3 will increase the total to 4,000 lots. The development is currently in Phase 1.

Aquasol manages the operations and maintenance of the Water Treatment Plant, the interconnected infrastructure as well as the finances and fees related to the service provided to residents/customers. The Water Treatment Plant is a newly commissioned installation. Water is supplied from an aquifer via a bore. The water is filtered, chlorinated and a percentage is treated using a reverse osmosis system to remove part of the salt load. The treated water is then stored in a potable water tank before being delivered to consumers through a distribution pipe network.

The waste from the reverse osmosis plant is stored, mixed with pre-filtered bore water and used to irrigate residential lots using a "third pipe" scheme approach. The waste water service is provided by Aquasol managing the waste water collection point and the cartage to the Water Corporation treatment system in Lancelin.

Aquasol is required to comply with the terms and conditions of their licence. There were four versions of the Water Operating License WL42 in force over the audit period - Version 1 to 3 July 2013, Version 2 to 19 September 2013, Version 3 to 17 November 2013 (under the previous *Water Licensing Act 1995*) and Version 4 being a "substituted licence" under the *Water Services Act 2012 (WA)* from 18 November 2013.

Not less than once in every period of 24 months, the Authority requires an operational audit of compliance with the licence conditions and a review of the asset management system to comply with the licensing requirements of the Authority.

This is the first Audit and Review of the Licence and covers the period from commencement of the licence on 5 February 2013 to 31 January 2015.

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

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

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 Aquasol has:

- a) complied with its licence obligations during the audit period from 5 February 2013 to 31 January 2015 with the exception of:
  - the Billing Enquiries (Review of a Bill) procedure does not contain all the information required under the *Water Services Code of Conduct (Customer Service Standards) 2013*;
  - the Complaints Procedure does not contain all the information required under the *Water Services Code of Conduct (Customer Service Standards) 2013*;

- not all of the “prescribed information” under the Water Services Code of Conduct is available on Aquasol’s website and in hardcopy; and
  - Compliance reports were not always submitted by the due dates, records of reports submissions are not always kept and there is no Compliance Breach Register.
- b) established an adequate control environment for ongoing compliance apart from the non-compliance issues noted above and some inadequate controls.
  - c) maintained the data integrity of reporting to the Authority apart from the exceptions noted above.

The audit recommended that Aquasol:

- a) update the Billing Enquiries procedure to include the details required by the *Water Services Code of Conduct (Customer Service Standards) 2013*;
- b) update the Complaints Procedure to include the details required by the *Water Services Code of Conduct (Customer Service Standards) 2013*;
- c) ensure that all future Compliance Reports are submitted to the Authority within the timeframes required, keep a record of the reports submissions and update the ERA Commitments To Follow schedule for the requirement to submit the annual Compliance and Performance Reports and their due dates;
- d) update the ERA Commitments To Follow schedule for the Financial Hardship Policy’s next review due date and other requirements noted in this report;
- e) make available all the “prescribed information” under the *Water Services Code of Conduct (Customer Service Standards) 2013* on Aquasol’s website and in hardcopy; and
- f) develop and/or update internal procedures with the requirements under the licence water service works, road works, notification to the Authority of general or major water service works within 10 business days, termination of water supply, conditions of entry to premises, issue of work order notices or compliance notices, warrants, billing review, under and over charges, memorials, objections and reducing flow rates.

### 1.3 Asset Management System Review

This review has been conducted to assess the effectiveness of the licensee’s asset management system. This review is the first review of the asset management system.

The assets are as described above with no major changes over 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 Aquasol:

- a) established an adequate control environment for ongoing compliance in respect of the asset management system with the only exception being:
  - the Asset Management Plan for Waste Water Treatment Services still refers to the former Water Services Act 1995 and the old version of the operating licence and does not reflect the most recent changes to the legislation and the new version of the operating licence issued on 18 November 2013.

The review recommended that Aquasol implement the following opportunities for improvement:

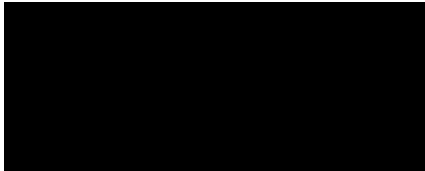
- a) update the Legislative Requirements Section of the Asset Management Plan for Waste Water Treatment Services for the changes in the legislative requirements;
- b) as planned, finalise the agreement with the Department of Health re formalising the drinking water standards;
- c) put in place a formal contract with the sewerage cartage contractor;
- d) include the distribution and reticulation mains and other equipment in the sub-division, in the Asset Register;
- e) improve the documentation of the planned maintenance activities and include maintenance of the distribution and reticulation mains;

- 
- f) ensure that data backups are regularly tested.
  - g) consider the risks associated with the current level of sewage service and document the risk and treatment plans in the risk register;
  - h) keep a copy of the risk register onsite at the water treatment plant;
  - i) formally document the contingency measures and plans that have been put in place, and the testing;
  - j) update the financial plan for the slower take-up of lots in the sub-division than planned; and
  - k) implement the planned annual reviews of the Asset Management Plans..

Overall, the plant is assessed as being in good working order and being well-maintained. There is generally an effective asset management system in place that can be enhanced by the improvements recommended in this report.

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

**Quantum Management Consulting & Assurance**



Geoff White  
Director

28 May 2015

---

## 2. Operational Audit

---

### 2.1 Introduction

Aquasol Pty Ltd (Aquasol) has a Water Services Operating Licence, issued by the Economic Regulation Authority ('the Authority') for the provision of potable and non-potable water supply and sewerage services in the Lancelin South operating area.

There were four versions of the Water Operating License WL42 in force over the audit period - Version 1 to 3 July 2013, Version 2 to 19 September 2013, Version 3 to 17 November 2013 (under the previous *Water Licencing Act 1995*) and Version 4 being a "substituted licence" under the *Water Services Act 2012 (WA)* from 18 November 2013.

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

### 2.2 Objectives and Scope

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

The audit has applied a risk-based approach to focus on the systems and effectiveness of processes used to ensure compliance with the standards, outputs and outcomes required by the Licence. The approach is set out in a detailed Audit Plan approved by the Authority that was designed to focus on the higher risk areas with less intensive coverage of medium and low risk areas. 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 Aquasol 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 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).
- **Cut off water supply** – high inherent risk and Type 1 reporting obligation (obligation 21).
- **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.

The audit covered the period from 5 February 2013 to 31 January 2015.

---

## 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

As this is the first audit of the Licence, there were no previous audit recommendations.

## 2.5 Summary of Audit Ratings of Controls and Compliance

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

No. <sup>1</sup>		Legislative Reference	Audit Priority applied  (rated 1 = High to 5 = Low)	Adequacy of Controls Rating <sup>2</sup>  (A=Adequate, B=Generally adequate, C=Inadequate, D=No controls, NP=Not performed)					Compliance Rating  (1=Compliant 2=Non-compliant (minor impact), 3=Non-compliant – moderate impact, 4=Non-compliant - major impact, NR=Not rated)					
				A	B	C	D	NP	1	2	3	4	NR	
Water Licensing Services Act 1995 (repealed 17 October 2013)														
-	Customer Service Charter (no longer mandatory)	Previous licence	4	✓					✓					
-	Customer consultation process (no longer mandatory)	Previous licence	4					✓					✓	
Water Services Act 2012														
1	Nature of services	Sec. 21(1)(a)	2	✓					✓					
2	Terms of service	Sec. 21(1)(b)	4					✓					✓	
3	Provision of services	Sec. 21(1) (c)	4	✓					✓					
4	Operating area	Sec. 22	4					✓					✓	
5	Outsourcing of services	Sec. 23	4	✓					✓					
6	Asset management system	Sec. 24(1)(a) & 24(2)	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	Sec. 95(3)	4				✓						✓	
22-23	Fire hydrants	Sec. 96(1)&(5)	4					✓					✓	
24	Sewer connections	Sec. 98(3)	4					✓					✓	
25	Compliance notice issued by licensee re not maintaining pipes	Sec. 106(2)	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
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				✓						✓
35-41	Proposal for major works	Sec. 142, 143(2)&(3), 144(3), 145(2), 147(3)&(4)	4				✓						✓
42-45	Proposal for general works	Sec. 151(1)-(3), 153(3),	4				✓						✓
46-48	Interest in land	Sec. 166(5)-(6), 170	4					N/A					N/A
49-57	Notice of entry to property and authority to enter	Sec. 174(1),(3)&(4) Sec. 175(2)&(5), 176(1),(3)&(4), 181	4				✓						✓
58-61	Warrant to enter property	Sec. 186, 187(1)-(3), 190(4)-(5), 210(5), 218(2)-(3).	4				✓						✓
62	Compliance Officer	Sec. 210(5)	4					✓					✓
63	Minimum disruption	Sec. 218(2)	4				✓						✓
64	Physical damage	Sec. 218(3)	4					✓					✓
<b>Water Services Regulations 2012</b>													
74-75	Work affecting roads	Reg. 60(2), 63	4				✓						✓
89	Compliance notice issued by licensee to include consequences and rights	Reg. 85	4				✓						✓
<b>Water Services Code of Conduct (Customer Service Standards) 2013</b>													
92	Information for customers	Cl. 7	4	✓					✓				
93	Timeliness of connections	Cl. 8	4	✓					✓				
94	Annual service charges	Cl. 9	4	✓					✓				
95-96	Usage bills at least 6 monthly	Cl.10(2)-(5)	4	✓					✓				
97	Estimated Bill of Usage - Regulation	Cl. 10(4)	4					N/A					N/A
98	Estimated Bill of Usage	Cl. 10(5)	4					✓					✓
99	Address for billing	Cl. 11	4	✓					✓				
103-104	Basic of billing estimate	Cl. 13(1)&(2)	4				✓						✓
105	Request for meter reading	Cl. 14(1)	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
106	Higher than normal charge	Cl. 15	4	1					1				
107-112	Under and over charges	Cl. 16(2)-(5), 17(1)-(2)	4				✓						✓
113	Review of bill upon request	Cl. 18(1)	4					✓					✓
114-117	Review of bill procedure	Cl. 18(2)-(5)					✓			✓			
118	At least 14 days for payment	Cl. 20	4	✓					✓				
119-121	Payment methods	Cl. 21(1)-(2), 22	4	✓					✓				
122	Payment in advance	Cl. 23(1)	4					✓					✓
123	Redirection of bills	Cl. 24	4					✓					✓
124	Payment plan	Cl. 25	4					✓					✓
125	Financial hardship policy - written	Cl. 26(1)-(2)	4	✓					✓				
126	Financial hardship policy - approval	Cl. 26(3)	4	✓					✓				
127	Financial hardship policy – new licences	Cl. 26(4)	4					N/A					N/A
128	Financial hardship policy – publicly available	Cl. 26(5)	4	✓					✓				
129	Financial hardship policy – 5 year review	Cl. 26(6)	4		✓								✓
130-132	Financial hardship policy – payment variations	Cl. 27(2)-(3), 28(1)	4	✓									✓
133	Financial hardship policy – written information	Cl. 28 (4)&(5)	4	✓					✓				
134	Debt recovery	Cl. 29	4	✓									✓
135-136	Restoration of drinking water supply	Cl. 30(1) & (2)	4	✓									✓
137 - 144	Reducing flow rates	Cl. 31, 32, 33, 34(4)&(6)	4				✓						✓
145-146	Complaints procedure - written	Cl. 35(1)-(2)	4	✓					✓				
147-148	Complaints procedure - details	Cl. 35(3), (4)	4			✓				✓			
149	Complaints procedure publicly available	Cl. 35(6)	4	✓					✓				
150,151	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		✓					✓			



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
159	Compliance re any breaches	Cl. 5.4	4					✓					✓
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	4		✓					✓			
166	Compliance reporting to Authority	Cl. 16.1	4		✓					✓			
167	Performance reporting to Authority	Cl. 16.3	4	✓					✓				
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	4					✓					✓
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	✓					✓				
184 – 189	MOU with Department of Health	Cl. 31.1 – 31.6	4					✓					✓
190	Service and performance standards (if applicable)	Schedule 3	4	✓					✓				

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 to the licensee.

## 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 42 Versions 1,2 and 3 (applicable to 17 November 2013)<sup>6</sup></b>							
-	Customer Charter	Previous Licence	The licensee must establish a Customer Service Charter and make it available to customers.	4	The auditor confirmed with Aquasol's Environmental Co-ordinator that the Aquasol Pty Ltd Customer Service Charter for Wastewater Services existed and was made available to customers up to 17 November 2013 and continues to be available to customers upon request and at no charge in hardcopy and is published on Aquasol's website.	A	1
-	Customer consultation	Previous Licence	The licensee must establish a customer consultation process.	4	The auditor confirmed with Aquasol's Environmental Co-ordinator that there were no residents in the development up to 17 November 2013.	NP	NR

<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 WL42 Versions 1, 2 and 3 applied to Aquasol until the new licence Version 4 was issued on 18 November 2013.

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
<b>Water Services Act 2012</b>							
1.	Nature of services	Section 21(1)(a)	The licensee must provide a water service authorised by the licence to persons entitled to the service under the Act, except to the extent otherwise provided for by the Act.	2	The auditor confirmed with Aquasol's Environmental Co-ordinator, review of the Asset Management Plan and a sample of water bills that during the audit period, the licensee provided a water service in accordance with the licence (ie provision of potable and non-potable water supply and sewerage services) to persons entitled to the service under the Act. The auditor confirmed with Aquasol's Environmental Co-ordinator that services are available for connection on any land in the Operating Area subject to compliance with Aquasol'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 Aquasol's Environmental Co-ordinator that no request for connection was made to the licensee from a person within the operating area who is not entitled to the service.	NP	NR
3.		Section 21(1)(c)	The licensee must provide, operate and maintain the water service works specified by the Authority in the licence.	4	Confirmed by this audit and review.	A	1
4.	Operating area	Section 22	The licensee must notify the Authority as soon as practicable before commencing to provide the water service outside of the operating area of the licence.	4	The auditor confirmed with Aquasol's Environmental Co-ordinator, 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-304(B).	NP	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
5.	Outsourcing of services	Section 23	All water service works used by the licensee in the provision of a water service must be held by the licensee, or must be covered by an agreement whereby the licensee can operate the works so as to comply with its obligations, or must fit in to other prescribed categories under the Act.	4	<p>The water service works and other assets are funded by the land development company, Lancelin South Pty Ltd under a contract with Aquasol. The Memorandum of Understanding and the Essential Services Agreement between Lancelin South Pty Ltd and Aquasol Pty Ltd were sighted.</p> <p>Aquasol manages the waste water at a collection point on site, with removal on an 'as needed' basis via a licensed Department of Environment (DEC) waste water cartage contractor. The waste water is carted to the Water Corporation's treatment plant in Lancelin. A copy of the Liquid Waste Receiving Agreement between the Water Corporation and Aquasol Pty Ltd and Lancelin South Pty Ltd was sighted.</p>	A	1
6.	Asset management system	Sections 24(1)(a) & 24(2)	The licensee must have an asset management system that provides for the operation and maintenance of the water service works.	2	This audit and review confirmed the licensee has an asset management system.	A	1
7.	Changes to asset management system	Section 24(1)(b)	The licensee must give details of the asset management system and any changes to it to the Authority.	4	<p>The auditor confirmed with Aquasol's Environmental Co-ordinator and review of the Asset Management System documentation and drawings that no significant changes have been made to the Asset Management System during the audit period.</p> <p>The requirement to notify the Authority of any material change to the asset management system within 10 days of change is included in Aquasol's ERA Commitments To Follow (Based on Water Operation Licence No. 42) schedule.</p>	A	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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
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 the Code of Conduct as per obligations listed in this audit report, and concluded that the licensee generally complies with the Code of Conduct with the exception of non-compliances noted as in this audit. <i>Refer recommendations.01/2015 to 04/2015 and 07/2015.</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	The audit reviewed the Compliance Report to the Authority for the year ended 30 June 2014. However, the auditor was unable to ensure data is complete and accurate as the licensee does not keep a Compliance Breach Register. This report was also submitted to the Authority late. Aquasol was unable to source the Compliance Report for the year ended 30 June 2013 and a record of its submission to the Authority by the due date. <i>Refer obligations 165 &amp; 166.</i> <i>Refer recommendation 05/2015.</i>	B	2



No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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 Aquasol's Environmental Co-ordinator and review of the Asset Management System documentation and drawings and observation that the licensee didn't cease to provide a water service in the area.	NP	NR
14.	Supplier of last resort	Section 60	If the licensee is the supplier of last resort for a designated area, the licensee must perform the functions of the supplier of last resort and must comply with the relevant duties and carry out the relevant operations prescribed.	4	Confirmed by with Aquasol's Environmental Co-ordinator 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 correspondence between the licensee and the Energy and Water Ombudsman (WA) Limited that the licensee is a member of the Water Services Ombudsman scheme.	A	1
16.	Interruption of water supplies	Section 77(3)	The licensee must take reasonable steps to minimise the extent or duration of any interruption of water services it is responsible for.	4	Confirmed with Aquasol's Environmental Co-ordinator 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	The auditor confirmed on a sample basis, by review of the correspondence between Aquasol and its customers, that this obligation is being complied with.  Aquasol's Standard Operating Procedure Lancelin South – Steps to Follow – Settlement Procedure was sighted.	A	1

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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 licensee's staff that there was no requirement for additional water services during the audit period. However, there is no internal procedure for this requirement. <i>Refer recommendation 07/2015.</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

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>
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	<p>The auditor confirmed with Aquasol's Environmental Co-ordinator that, during the audit period, no compliance notice was given by Aquasol to a person in relation to undertaking construction or carrying out similar works in the vicinity of water service works.</p> <p>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.</p> <p><u>Recommendation 07/2015</u></p> <ol style="list-style-type: none"> <li><i>Aquasol should develop and/or update internal procedures with the requirements under the licence water service works, road works, notification to the Authority of general or major water service works within 10 business days, termination of water supply, conditions of entry to premises, issue of work order notices or compliance notices, warrants, billing review, under and over charges, memorials, objections and reducing flow rates. The detailed compliance obligations listed in this report could be used as a reference.</i></li> <li><i>Aquasol should update its ERA Commitments To Follow (Based on Water Operation Licence No 42) schedule for relevant requirements, such as notification to the Authority within 10 business days of major or general water service works</i></li> </ol>	D	NR



No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
21.	Termination of water supply	Section 95(3)	The licensee cannot cut off the supply of water to an occupied dwelling unless the occupier agrees to that.	4	Aquasol's Environmental Co-ordinator confirmed that, during the audit period, the licensee did not cut off the supply of water to any occupied dwelling. However, there is no internal procedure stating this requirement. <i>Refer recommendations 04/2015 and 07/2015</i>	D	NR
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 with Aquasol's Environmental Co-ordinator that no request was received from DFES or local government 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 with Aquasol's Environmental Co-ordinator that, during the audit period, no written notice requiring connection to Aquasol'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	Confirmed with Aquasol's Environmental Co-ordinator that there is no trade waste discharged to Aquasol'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

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>
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	Confirmed with Aquasol's Environmental Co-ordinator that, during the audit period, no compliance notices have been issued by the Aquasol to any party. However, there is no internal procedure governing the issue of the compliance notices and what the notices should contain. <i>Refer recommendation 07/2015.</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 07/2015.</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	Confirmed with Aquasol's Environmental Co-ordinator and review of the Asset Management System documentation 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 Aquasol's Environmental Co-ordinator that, during the audit period, no memorial has been lodged with the Registrar. However, there is no internal procedure governing the lodgement of memorial to secure fees owing. <i>Refer recommendation 07/2015.</i>	D	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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 Aquasol's Environmental Co-ordinator 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. As per the Customer Service Charter, Aquasol will notify the resident 7 days prior to the need to enter a property for routine maintenance.	NP	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 Aquasol's Environmental Co-ordinator and review of the Asset Management System documentation that the licensee did not exercise ancillary work powers during the audit period. As per the Customer Service Charter, Aquasol will notify the resident 7 days prior to the need to enter a property.	NP	NR
34.	Notice to roads authority	Section 141(1)	In certain instances, if a person authorised by the licensee carries out road work that involves breaking the surface of the road or that would cause major obstruction to road traffic, the licensee must give at least 48 hours' notice to the public authority managing the road.	4	The auditor confirmed with Aquasol's Environmental Co-ordinator, 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. However, there is no internal procedure for this requirement. <i>Refer recommendation 07/2015</i>	D	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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 Aquasol's Environmental Co-ordinator and review of the Asset Management System documentation and drawings that no additional major works have been proposed during the audit period. However, there is no internal procedure for this requirement. <i>Refer recommendation 07/2015</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
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

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>
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 Aquasol's Environmental Co-ordinator 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 for this requirement. <i>Refer recommendation 07/2015</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
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	For the Lancelin South project, the developer agreed to fund the capital cost of the project, as well as supply necessary land at no charge that has been allocated to the project. Therefore, Part 7 – Powers in relation to interest in land under the Act does not apply to the licensee as they do not hold any land.	N/A	N/A



No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
47.		Section 166(6)	Any costs incurred in taking an interest in land are to be paid by the licensee.	4	As per item 46.	N/A	N/A
48.		Section 170	The licensee must not sell an interest in land if the purchaser would hold a parcel of land that did not comply with the minimum lot size and zoning requirements under the <i>Planning and Development Act 2005</i> , unless the Minister permits the licensee to do so.	4	As per item 46.	N/A	N/A
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 Aquasol's Environmental Co-ordinator that, during the audit period, no entry to the residential dwelling was required for the purposes of doing works. As per the Customer Service Charter, Aquasol will notify the resident 7 days prior the need to enter a property in case of routine maintenance. This covers the required 48 hours' notice and other provisions in the Water Services Act 2012. However, there is no internal procedure in place governing the issue of notice of entry to property and the conditions to be met as per obligations 50 to 57 below. <i>Refer recommendation 07/2015.</i>	D	NR
50.		Section 174(1)	Notice of a proposed entry by the licensee must be in writing and must set out the purpose of the entry, including (if applicable) any work proposed to be carried out.	4	As per item 49.	D	NR
51.		Section 174(3)	Even if in a particular instance the licensee may enter a place under the Act without having to give notice of proposed entry, the licensee must when practicable, and when it will not compromise the reason for entry, give notice of entry to the occupier.	4	As per item 49.	D	NR

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>
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 <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>
58.		Section 186	If the licensee applies for a warrant, the application must contain the prescribed information.	4	The auditor confirmed by interview with Aquasol's Environmental Co-ordinator that, during the audit period, no application was made by the licensee for a warrant. However, there is no internal procedure in place governing a warrant issued under the Water Services Act 2012, however unlikely. <i>Refer recommendation 07/2015.</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 Aquasol's Environmental Co-ordinator 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 07/2015.</i>	D	NR



No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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 Aquasol's Environmental Co-ordinator that, during the audit period, no physical damage has been done in the exercise of a works power or a power of entry. Any compensation claims for damage would be dealt with via Aquasol's Combined General Liability Insurance Policy, as sighted. Any deductible would be covered by Aquasol.	NP	NR
<b>Water Services Regulations 2012</b>							
74.	Works affecting roads	Regulation 60(2)	If the licensee proposes to exercise a works power in a road and considers that it is necessary to alter the position of infrastructure, the licensee must notify the person who is responsible for the infrastructure and may request that the person make the alterations within the time specified in the notice.	4	The auditor confirmed by interview with the licensee's staff, review of the Asset Management System documentation and drawings that during the audit period the licensee did not propose to exercise and did not exercise a works power in a road.  As a site is planned to be occupied a connection is made available from the existing network. However, there is no internal procedure for this requirement. <i>Refer recommendation 07/2015</i>	D	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.	D	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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 Aquasol's Environmental Co-ordinator confirmed that no compliance notice has been issued by the Aquasol during the audit period. However, there is no internal procedure governing the issue of the compliance notices and what the notice should contain.  <i>Refer recommendation 07/2015.</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, Aquasol's Customer Service Charter for Water Services is still available to customers on Aquasol's website and in the hard copy upon request. The charter is generally consistent with the licence provision in covering all the service issues likely to be of concern to Aquasol's customers.  Information about how to apply for connections and the fees that apply in relation to connections is available on Aquasol's website and provided in the hard copy as part of the Builder's Information Package.	A	1

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
93.	Timeliness of connections	Clause 8	The licensee must ensure that, in any 12 month period, 90% of connections are completed before the end of 10 business days, starting on the day on which the customer has paid the relevant fees and complied with the relevant requirements.	4	<p>Section 2.2 – Water and Waste Water Supply of Aquasol's Customer Service Charter states that installations will be provided to each dwelling prior to occupancy and connections will be supplied upon request by a resident within 10 business days. This information is also included in the Builder's Information Package.</p> <p>The Aquasol's Environmental Co-ordinator advised that the connections are scheduled close to the construction date stated on the Single Residence Application and Service Connection Form. This is considered to be in line with the timeliness of connections requirement.</p> <p>The auditor confirmed compliance with the timeliness of connections obligation by interview with Aquasol's Environmental Co-ordinator and review of available documentation.</p>	A	1

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
94.	Annual service charges	Clause 9	The licensee must issue a bill for non-quantity charges to each customer at least once in every 12 month period.	4	<p>Non-quantity charges include:</p> <ul style="list-style-type: none"> <li>• An annual Base Water Service Charge (Potable &amp; Non Potable) that is a fixed service charge for operating the water system. Residential customers are billed an equal portion of this charge every quarter; and</li> <li>• An annual Base Sewer Service Charge that covers most of the cost of operating the sewer system. This is charges annually to the owner of the property.</li> </ul> <p>The audit confirmed on a sample basis that the Base Sewer Service Charge is charged annually to the owner of the property and that residential customers are issued with a bill from Aquasol four times a year (every 3 months) for an equal portion of the annual Base Water Service Charge.</p> <p>The prices set for Potable, Non Potable Water Supply and Sewerage Disposal have been developed with reference to Water Corporation charges in Lancelin and the internal costs of operating and maintaining the infrastructure, plus the cost of administering the services. Prices will subsequently be indexed by CPI each year.</p>	A	1
95.	Usage bills at least 6 monthly	Clause 10(2)	The licensee must issue a bill for usage to each customer at least once in every 6 month period.	4	Confirmed on a sample basis that residential customers are issued with a bill from Aquasol four times a year (every 3 months) for their Residential Potable and Non Potable Water Usage.	A	1
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	Confirmed on a sample basis that bills for usage are based on meter readings to ascertain the quantity of potable and non-potable water supplied.	A	1

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
97.		Clause10(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	No applicable regulation is in place.	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 stated in Section 4.1 Tariff and Charges of the Customer Service Charter, if a water meter is faulty, consumption charges will be estimated and based on an average of past consumption. Aquasol's Environmental Co-ordinator confirmed that, during the audit period, no such circumstances eventuated and no customer was issued with an estimated bill of usage.	NP	NR
99.	Address for billing	Clause 11	The licensee must send a bill to the address of the place where the water service is provided or, if the customer nominates another address, to the nominated address.	4	The auditor confirmed on a sample basis compliance with this requirement over the audit period.	A	1
103.	Basis of billing estimate	Clause 13(1)	If a bill is based on an estimate, the licensee must tell the customer on request the basis of the estimate and the reason for the estimate.	4	Aquasol's Environmental Co-ordinator confirmed that, during the audit period, no such circumstances eventuated and no customer was issued with an estimated bill of usage. As stated in Section 4.1 Tariff and Charges of the Customer Service Charter, if a water meter is faulty, consumption charges will be estimated and based on an average of past consumption. However, there is no internal procedure in place governing the issue of bill estimates, the licensee's obligation to tell the customer basis of the estimate and reason for the estimate and to adjust the next bill based on a subsequent and accurate meter reading. <i>Refer recommendation 07/2014.</i>	D	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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 item 103.	D	NR
105.	Request for meter reading	Clause 14(1)	The licensee must provide to the customer on request a meter reading and a bill in the prescribed circumstances.	4	<p>The Aquasol's Environmental Co-ordinator confirmed that, during the audit period, no such customer request have been received by the Aquasol.</p> <p>However, there is no internal procedure in place governing the provision of a requested meter reading and a bill to determine outstanding charges for a period that is not the same as the usual billing cycle and in the case where the customer disputes an estimate on which a bill is based, a meter reading and in any event, a revised bill.</p> <p><i>Refer recommendation 07/2015.</i></p>	D	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
106.	Higher than normal usage	Clause 15	The licensee must have a publicly available written policy, standard or set of guidelines in relation to granting a discount to a customer whose meter reading indicates a water usage that is higher than normal for the customer but is likely to have been wasted because of a leak.	4	<p>Aquasol's Environmental Co-ordinator confirmed that, during the audit period, no such circumstances eventuated.</p> <p>The policy statement in relation to granting a discount to a customer whose meter reading indicates a water usage that is higher than normal for the customer but is likely to have been wasted because of a leak is stated in Section 4.1 Tariff and Charges of the Customer Service Charter. The policy states that if the customer's account is unusually high, because there is an undetected water leak within their property, then the customer may qualify for an ex-gratia allowance of up to 50 per cent. The conditions of such arrangement will be provided upon request.</p> <p>The Customer Service Charter is publicly available on Aquasol's website and in hardcopy upon request.</p>	1	1



No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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>Aquasol's Environmental Co-ordinator confirmed that no overcharging or undercharging occurred during the audit period.</p> <p>As stated in Section 4.1 Tariff and Charges of the Customer Service Charter, if, by error, a resident is undercharged, they will be required to pay the shortfall. If a resident is overcharged, the extra cost will be refunded directly or used as a credit for future charges (as agreed with the resident).</p> <p>However, there is no internal procedure in place governing overcharging and undercharging including the 12 month time period as per clause 16(2) of the Code; an undercharged amount to be the subject of, and explained in, a special bill or a separate item in the next bill; not to charge interest or late payment fees on an undercharged amount; allowing a customer to pay an undercharged amount by way of a repayment plan for a period as specified under clause 16(5) of the Code; and a timeframe of 15 business days to refund or credit the customer's account with overcharged amount, starting on the day the licensee receives the instructions.</p> <p><i>Refer recommendation 07/2015.</i></p>	D	NR
108.		Clause 16(3)	An undercharged amount must be the subject of, and explained in, a special bill or a separate item in the next bill. The licensee cannot charge interest or late payment fees on an undercharged amount. The licensee must allow a customer to pay an undercharged amount by way of a repayment plan as specified in the code of conduct.	4	As per item 107.	D	NR
109.		Clause 16(4)	The licensee must not charge interest or late payment fees on an undercharged amount.	4	As per item 107.	D	NR



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>
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
113.	Review of bill	Clause 18(1)	The licensee must review a bill on the customer's request.	4	The Aquasol's Environmental Co-ordinator confirmed that, during the audit period, no request was received from a customer for review of a bill.	NP	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
114.		Clause 18(2)	The license must have a written procedure for the review of a bill on the customer's request.	4	<p>Although the written Aquasol's Billing Enquiries procedure is in place, it does not contain all required information.</p> <p><u>Recommendation 01/2015</u></p> <p><i>Aquasol should update its Billing Enquiries procedure to include information about:</i></p> <ul style="list-style-type: none"> <li><i>a) what happens if the customer has been undercharged or overcharged;</i></li> <li><i>b) that the customer may, but does not have to, use the licensee's complaints procedure before or instead of applying to the Water Services Ombudsman or making an appeal from, or applying for a review of, the decision that gave rise to the complaint, to the State Administrative Tribunal; and</i></li> <li><i>c) 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> </ul>	D	2
115.		Clause 18(3) & (6)	The review procedure in clause 18(2) must include the specified information and be publicly available.	4	<p>Although Aquasol's Billing Enquiries procedure is publicly available of Aquasol's website and in hardcopy upon request, it does not contain all required information.</p> <p>Refer obligation 114 above.</p>	D	2

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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	Compliance with this requirement over the audit period was confirmed by reference to a sample of water bills.	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 over the audit period was confirmed by reference to a sample of water bills, Aquasol's Resident's Information Package and Aquasol's Financial Hardship Policy for 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	The Aquasol's Environmental Co-ordinator confirmed that no fees and charges are associated with any of the bill payment method options offered.	A	1
121.		Clause 22	Before receiving a bill payment by direct debit the licensee must obtain the express consent, either orally or in writing, of the holder of the account to be debited and of the customer or an adult person nominated by the customer, to do so.	4	Confirmed by reference to the Resident's Information Package that customers are required to provide an express consent for direct debit on the Resident's Account Application Form.	A	1

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
122.	Payment in advance	Clause 23(1)	The licensee must accept payment in advance from a customer on a customer's request.	4	This obligation is provided for in the Customer Service Charter, Aquasol's Resident's Information Package and on water bills. The Aquasol's Environmental Co-ordinator confirmed that no requests were received in 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 Aquasol's Financial Hardship Policy. The Aquasol's Environmental Co-ordinator 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 Aquasol's Financial Hardship Policy. The Aquasol's Environmental Co-ordinator 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 Aquasol's Financial Hardship Policy (FHP) for Water Services was sighted. The Aquasol's FHP was approved by the Authority on 16 May 2014.	A	1
126.		Clause 26(3)	If the licensee's licence was in place before the commencement of the Act, the licensee must have a financial hardship policy before the end of the 6 month period starting on the day on which section 27 of the Act comes into effect.	4	The existing licensees had an obligation to have a hardship policy that is duly approved by the Authority by 18 May 2014. The policy was approved on 16 May 2014.	A	1
127.		Clause 26(4)	If the licensee's licence was granted after the day on which the Act came into effect, the licensee must have a financial hardship policy within 6 months of the day of the grant of the license.	4	The licence was in place prior to the Act coming into effect.	N/A	N/A

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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 Aquasol's Financial Hardship Policy for Water Services is published on Aquasol's website and a hardcopy of the policy is available upon request.	A	1
129.		Clause 26(6)	The licensee must review its financial hardship policy at least once in every 5 year period and, as part of the review process, consult with relevant consumer organisations.	4	Aquasol's policy was approved by the Authority on 16 May 2014 and is not due for review until 2019. The requirement to review the policy every 5 years is stated in the policy. However to ensure compliance with this requirement, Aquasol's ERA Commitments To Follow schedule should be updated for the required policy review due date.  <i><u>Recommendation 02/2015</u></i> <i>Aquasol should update the ERA Commitments To Follow schedule for the financial hardship policy's next review due date.</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 Aquasol'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 Aquasol's Financial Hardship Policy. There were no claims under this policy in the audit period.	A	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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 Aquasol's Financial Hardship Policy. There were no claims under this policy in the audit period.	A	NR
133.		Clause 28(4) & (5)	The licensee must have publicly available written information regarding the payment plans, arrangements and other assistance that is available to customers.	4	This obligation is included in Aquasol'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 Aquasol's Financial Hardship Policy is published on Aquasol's website as well as a hardcopy of the policy is available upon request.	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 Aquasol's Financial Hardship Policy.	A	NR
135	Restoration of drinking water supply	Clause 30(1)	If the licensee has reduced the rate of flow of drinking water to land under section 95(1)(b) of the Act, the licensee must restore the supply of water if the amount owing is paid, or if the customer enters into a payment arrangement for the amount owing that is satisfactory to the licensee.	4	This obligation is included in Aquasol's Financial Hardship Policy.	A	NR
136		Clause 30(2)	If the licensee has, under section 95(1)(a), (c), (d) or (e) of the Act, cut off or reduced the flow of drinking water, the licensee must restore the supply of water if the licensee is satisfied that the reason for the disconnection or reduction no longer applies.	4	This obligation is included in Aquasol's Financial Hardship Policy.	A	NR



No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
137	Reducing the rate of flow of water - Preliminary Action	Clause 31	The licensee must not, under section 95(1)(b) of the Act, reduce the rate of flow of drinking water to a customer without having first used its best endeavours to inform the customer in person of its intention to do so if the amount owing is not paid.	4	<p>Aquasol's Environmental Co-ordinator confirmed that, during the audit period, Aquasol has not reduced the rate of flow of drinking water to any of its customers.</p> <p>Section 4.3 - Restriction of Service of the Customer Service Charter provides very limited information.</p> <p>However, there is no internal procedure in place governing the reduction of flow of water, obligation to take preliminary action, no reduction of rate of flow of water in certain cases, water flow not to be reduced below minimum rate and minimum performance standards for restoration of water supply.</p> <p><i>Refer recommendation 07/2015.</i></p>	D	NR
138	No reduction of flow of water in certain cases	Clause 32	The licensee must not reduce the rate of flow of drinking water under the Act if the specified circumstances apply.	4	As per item 137.	D	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	As per item 137.	D	NR
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 item 137.	D	NR
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 item 137.	D	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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	Aquasol's Complaints Procedure was sighted.	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 Aquasol's Complaints Procedure, the policy is compliant with the relevant provisions of the AS ISO 10002-2006 and the Authority's Customer Complaints Guidelines dated October 2008. <i>Also refer obligation 147 regarding obligations under the Code of Conduct.</i>	A	1

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
147.		Clause 35(3)	The licensee's complaints procedure must provide for the matters specified in relation to lodgement of complaints, responding to complaints, dispute resolution arrangements and resolving complaints.	4	<p>The audit reviewed Aquasol's Complaints Procedure and noted that the procedure covers how complaints are to be lodged and recorded and dispute resolution arrangements. However it does not state the time limits and methods for responding to complaints in respect of all complaint lodgement options offered. Further, the procedure does not provide for resolving a complaint before the end of the period of 15 business days starting on the day the complaint was received, although this timeframe is stated in the Section 3.3 Resident's Enquiries of the Customer Service Charter. The specific complaints procedures as per the Code of Conduct are also not covered in the procedure.</p> <p><u>Recommendation 03/2015</u></p> <p><i>Aquasol should update its complaints procedure to:</i></p> <ul style="list-style-type: none"> <li><i>a) provide for time limits and methods for responding to complaints;</i></li> <li><i>b) provide for resolving a complaint within 15 business days from the day the complaint was received;</i></li> </ul> <p><i>Continued...</i></p>	C	2

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
					<p>c) <i>state that a customer may, but does not have to, use the complaints procedure before or instead of the procedures under the Act i.e. applying to the Water Services Ombudsman or making an appeal from, or applying for a review of, the decision to the State Administrative Tribunal;</i></p> <p>d) <i>in addition to an option of applying to the Water Services Ombudsman, list the option of making an appeal from, or applying for a review of, the decision that gave rise to the complaint to the State Administrative Tribunal; and</i></p> <p>e) <i>set out the benefits to the customer, in relation to time and costs, if the customer chooses to use the complaints procedure before or instead of the procedures under the Act i.e. Water Services Ombudsman or State Administrative Tribunal.</i></p>		
148.		Clause 35(4)	The licensee's complaints procedure must inform the customer that they do not have to use the licensee's complaints procedure, provide details of procedures under the Act, and set out the costs and benefits to the customer if the use the complaint resolution procedure or instead of the procedures under the Act.	4	<p>Aquasol's Complaints Procedure does not inform the customer that they do not have to use the licensee's complaints procedure, provide details of procedures under the Act, and set out the costs and benefits to the customer if the use the complaint resolution procedure or instead of the procedures under the Act.</p> <p><i>Refer recommendation 03/2015.</i></p>	C	2

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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 Aquasol's Complaints Procedure is available on Aquasol's website and in the hardcopy upon request.	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. Information about availability of these services is stated in the Resident's Information Package and on the water bills. Aquasol's Environmental Co-ordinator 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	Aquasol's Environmental Co-ordinator confirmed that the customer's personal account information is made available to each customer upon request. Aquasol's Environmental Co-ordinator advised that, during the audit period, no request was received by the licensee.	A	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
153.	All Code of Conduct information to be publicly available in hardcopy and website	Clause 37(1)	The licensee must make the prescribed information publicly available.	4	<p>The licensee must make the “prescribed information” publicly available. The definition of “publicly available” per Clause 3 of the Water Services Code of Conduct is website and hardcopy.</p> <p>The auditor noted that majority the “prescribed information” set out in Section 37 of the Code is available to customers in the Customer Service Charter published on Aquasol’s website and available in a hardcopy upon request. The building services fees and charges are also published on Aquasol’s website and provided in the hardcopy in the Builder’s Application Package.</p> <p>The auditor noted that the following “prescribed information” is not publicly available to customers:</p> <ul style="list-style-type: none"> <li>• Information about Residential Pricing and Charges and about the services provided by Aquasol under clause 36 of the Code is provided in hardcopy to the residents but is not published on Aquasol’s website;</li> <li>• Information under section 95(3), re the supply of water cannot be cut off to an occupied dwelling unless the occupier agrees and about sustainable use of water is not publicly available to customers on Aquasol’s website or in hardcopy.</li> </ul> <p><i>Continued...</i></p>	C	2



No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
					<u>Recommendation 04/2015</u> 1. Aquasol should publish on its website, information about Residential Pricing and Charges and about the services provided by Aquasol under clause 36 of the Code; and 2. Aquasol should update its Customer Service Charter for information under section 95(3), re the supply of water cannot be cut off to an occupied dwelling unless the occupier agrees and about sustainable use of water.		
<b>Licence Conditions – Specific Clauses</b>							
155.	Fees to regulator	Clause 4	The licensee must pay the applicable fees in accordance with the Regulations.	4	No fees were payable during the audit period. Annual fees have been introduced from 1 January 2015.	NP	NR
156.	Compliance generally	Clause 5.1	Subject to any modifications or exemptions granted pursuant to the Act, the licensee must comply with any applicable legislation.	4	The auditor reviewed compliance with the Water Services Act 2012, Water Services Regulations 2013 and the Water Services Code of Conduct (Customer Service Standards) 2013 as per obligations listed in this audit report and concluded that Aquasol complies with the obligations except for the issues noted in this report. Refer recommendations 01/2015 to 07/2015.	B	2
157.		Clause 5.2	The licensee must comply with any code of practice made by the Minister to the extent it applies to the licensee.	4	No Codes of Practice have been issued by the Minister.	N/A	N/A

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
158.		Clause 5.3	The licensee must comply with any code of conduct made by the Authority to the extent it applies to the licensee and is not inconsistent with the terms and conditions of the licence.	4	The auditor reviewed compliance with the Code of Conduct as per obligations listed in this audit report, and concluded that the licensee complies with Code of Conduct with the exception of non-compliances noted as in this audit. <i>Refer recommendations 01/2015 to 04/2015.</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 Aquasol 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 Aquasol's Financial Reports for the audit period and confirmed compliance.	A	1

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
161.	Compliance with performance standards	Clause 13.1	The licensee must comply with any individual performance standards prescribed by the Authority.	4	<p>Individual performance standards regarding potable water system are set out in Schedule 3 of Aquasol's licence WL42, Version 4, dated 18 November 2013.</p> <p>Under the previous licences that were in operation until 17 November 2013, the services and performance standards were set out in Schedule 4.</p> <p>The auditor reviewed Aquasol's Performance Reports for the years ending on 30 June 2013 and 2014 and confirmed that the Aquasol has complied with all services and performance standards as set out in Schedule 3 of the current licence Version 4 as well as 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> <p>The relevant performance standards are outlined in Aquasol's AMP Lancelin South Development Potable and Non-Potable Water Supply (dated January 2014) and in the AMP Lancelin South Development Waste Water Treatment Services (dated May 2013).</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. The licensee has fully co-operated.	A	1

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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	<p>The auditor confirmed by interview and review of Aquasol's Financial Reports for the audit period that there is no external administration.</p> <p>The requirement to inform the Authority within two business days of the licensee being under external administration is included in Aquasol's ERA Commitments To Follow schedule.</p>	NP	NR
164.	Advise Authority of major or general works	Clause 15.1(d)	The licensee must report to the Authority within 10 business days of providing or undertaking water service works that are major works or general works.	4	<p>The auditor confirmed with Aquasol's Environmental Co-ordinator 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>The requirement to notify the Authority of any material change to the asset management system within 10 business days of providing or undertaking water service works that are major works or general works is <u>not</u> included in Aquasol's ERA Commitments To Follow (Based on Water Operation Licence No 42) schedule.</p> <p><i>Refer recommendation 07/2015.</i></p>	D	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
165.	Provision of information to Authority	Clause 16.1	The licensee must provide the Authority any information that the Authority may require in connection with its functions under the Act in the time, manner and form specified by the Authority.	4	<p>In accordance with the Water Compliance Reporting Manual April 2014, Aquasol 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 Aquasol's correspondence with the Authority and available Compliance and Performance Reports for 2012/13 and 2013/14 and noted the following exceptions:</p> <ul style="list-style-type: none"> <li>• The Compliance Report for the year ended 30 June 2014 was submitted on 8 September 2014 rather than by the due date of 31 August 2014.</li> <li>• Aquasol was unable to source the Compliance Report for the year ended 30 June 2013 and evidence of its submission to the Authority by the due date within Aquasol's records.</li> </ul> <p>The auditor reviewed Aquasol's ERA Commitments To Follow (Based on Water Operation Licence No 42) schedule and noted that the requirement to submit the annual Compliance Report as well as annual Performance Report and their submission due dates is <u>not</u> specifically stated in the schedule.</p> <p>Continued...</p>	B	2

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
					<u>Recommendation 05/2015</u> 1. Aquasol should ensure that all future Compliance Reports are submitted to the Authority within the timeframes required. 2. Aquasol should keep records of all Compliance reports and report submissions. 3. Aquasol should update its ERA Commitments To Follow (Based on Water Operating Licence No 42) schedule for the requirement to submit the annual Compliance and Performance Reports and their due dates.		



No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
166.	Compliance reporting to Authority	Clause 16.2	The licensee must comply with any information reporting requirements prescribed by the Authority, including but not limited to the provisions of the <i>Water Compliance Reporting Manual</i> that apply to the licensee.	4	<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 2013 and 2014 and noted exceptions as to the time with the information reporting requirements prescribed by the <i>Water Compliance Reporting Manual</i>.</p> <p>Section 9.3.2.3 of the Audit and Review Guidelines: Water Licenses July 2014 states that the Authority expects licensees to maintain a compliance (or breach) register in respect of their licence conditions.</p> <p>Aquasol's Environmental Co-ordinator advised that they don't keep a compliance register. Therefore the auditor was unable to determine whether the compliance reports sent to the Authority during the audit period are consistent with the compliance register.</p> <p><u>Recommendation 06/2015</u></p> <p><i>Aquasol should maintain a Compliance Breach Register in respect of their licence conditions to ensure that all contraventions of the licence conditions for each financial year are reported to the Authority in the annual Compliance report.</i></p>	B	2
167.	Performance reporting to Authority	Clause 16.3	The licensee must provide the Authority with the data required for performance reporting purposes that is specified in <i>Water Compliance Reporting Manual</i> , and the National Performance Framework that apply to the licensee.	4	The auditor reviewed Aquasol's correspondence with the Authority and Aquasol's Performance Reports for the years' ending 30 June 2013 and 2014 and confirmed Aquasol provided the Authority with the data required for performance reporting purposes in the time and format required.	A	1

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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, Aquasol 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.	A	1
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.	4	The auditor confirmed with Aquasol's Environmental Co-ordinator, review of Asset Management System documentation and drawings and observation that no material changes were made to the asset management system during the audit period. The requirement to notify the Authority of any material change to the asset management system within 10 business days of such change is included in Aquasol's ERA Commitments To Follow (Based on Water Operation Licence No 42) schedule.	NP	NR
172.	Asset Management System Review	Clause 20.6	The licensee must cooperate with the independent expert and comply with the Authority's standard guidelines dealing with the asset management system review.	4	This review is being undertaken in accordance with the Audit and Review Guidelines. The licensee has fully cooperated with the review.	A	1

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
173.	Ombudsman scheme	Clause 21.1	The licensee must not supply water services to customers unless the licensee is a member of and bound by the water services ombudsman scheme.	4	Confirmed by interview with Aquasol's Environmental Co-ordinator 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 Aquasol 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 <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
180.		Clause 24.4	If the licensee enters into an agreement that excludes, modifies or restricts the terms and conditions of the licence or the requirements of the <i>Customer Services Code</i> , the licensee must publish an annual report containing the information specified.	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 Aquasol's Environmental Co-ordinator that Aquasol 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 Aquasol's Environmental Co-ordinator, review of Asset Management System documentation and drawings and observation that Aquasol does not provide a water service outside of the operating area set out in Plan Number: OWR-OA-304(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 16 May 2014. In its decision, the Authority was satisfied the licensee's FHP meets the relevant requirements of the Water Act, Code and Guidelines.	A	1
184	MOU with the Department of Health	Clause 31.1	The licensee must enter into a Memorandum of Understanding with the Department of Health as soon as practicable after the commencement date.	4	The auditor reviewed the correspondence between Aquasol and the Department of Health (DoH) and noted that implementation of a new Memorandum of Understanding with Aquasol was deferred by mutual agreement, until such time as an MOU based on the Australian Drinking Water Guidelines 2011 can be finalised.	NP	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
185		Clause 31.2	The Memorandum of Understanding must comply with the specified requirements in relation to legal standing of the document and compliance audits by the Department of Health.	4	As per item 184.	NP	NR
186		Clause 31.3	The licensee must comply with the terms of the Memorandum of Understanding.	4	As per item 184.	NP	NR
187		Clause 31.4	The licensee must publish the Memorandum of Understanding and any amendments to the Memorandum of Understanding within one month of signing or making the amendment.	4	As per item 184.	NP	NR
188		Clause 31.5	The licensee must publish the audit report on compliance with its obligations under the Memorandum of Understanding on its website within one month of the completion of the audit.	4	As per item 184.	NP	NR
189		Clause 31.6	The licensee must publish any reports required by the Department of Health or set out in the Memorandum of Understanding on the licensee's website quarterly or at a reporting frequency specified by the Department of Health.	4	As per item 184.	NP	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
190.	Service and performance standards (if applicable)	Clause 31.1	The licensee must comply with the service and performance standards as set out in Schedule 3.	4	<p>Individual performance standards regarding potable water system are set out in Schedule 3 of Aquasol's licence WL42, Version 4, dated 18 November 2013.</p> <p>Under the previous licences that were in operation until 17 November 2013, the services and performance standards were set out in Schedule 4.</p> <p>The auditor reviewed Aquasol's Performance Reports for the years' ending on 30 June 2013 and 2014 and confirmed that Aquasol has complied with all services and performance standards as set out in Schedule 3 of the current licence Version 4 as well as 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> <p>The relevant performance standards are outlined in Aquasol's AMP Lancelin South Development Potable and Non-Potable Water Supply (dated January 2014) and in the AMP Lancelin South Development Waste Water Treatment Services (dated May 2013).</p>	A	1



## 2.7 Current Audit Non-Compliances and Recommendations

Table of Current Audit Non- Compliances and Recommendations			
A. Resolved during current audit period			
Manual Reference	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating/Details)	Date Resolved (& management action taken)	Auditor's Comments
	Nil		

B. Unresolved at end of current audit period			
Reference (no./year)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating/Details)	Auditor's Recommendation	Management Action taken by end of audit period
01/2015	<b>Review of Water Bills</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 conditions – Clause 5.1 and 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. Although the written Aquasol's Billing Enquiries procedure is in place, it does not contain all required information. Aquasol's Environmental Co-ordinator advised that no request for review of the water bill had been received during the audit period.	Aquasol should update its Billing Enquiries procedure to include information about: <ul style="list-style-type: none"> <li>a) what happens if the customer has been undercharged or overcharged;</li> <li>b) 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</li> <li>c) that the licensee must inform the customer of the outcome of a review of the customer's bill as soon as practicable or otherwise less than 15 business days from the day the customer's request for review was received.</li> </ul>	Nil
02/2015	<b>Next Review of Financial Hardship Policy</b> <i>Water Services Act 2012 Section 27</i> <i>Water Services Code of Conduct (Customer Service Standards) 2013 Clause 26(6)</i> <i>Licence conditions – Clause 5.1 and 5.3</i>	Aquasol should update its ERA Commitments To Follow schedule for the Financial Hardship Policy's next review due date.	Nil

B. Unresolved at end of current audit period			
Reference (no./year)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating/Details)	Auditor's Recommendation	Management Action taken by end of audit period
	<p><i>Not rated (no activity)</i></p> <p>Aquasol's Financial Hardship Policy was approved by the Authority on 16 May 2014 and is not due for review until 2019. The requirement to review the policy every 5 years is stated in the policy, however to ensure compliance with this requirement, Aquasol's ERA Commitments To Follow schedule should be updated for the required policy review due date.</p>		
03/2015	<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(3)&amp;(4)</i></p> <p><i>Licence conditions – Clause 5.1 and 5.3</i></p> <p><i>Non-compliant – minor impact</i></p> <p>The audit reviewed Aquasol's Complaints Procedure and noted that the procedure covers how complaints are to be lodged and recorded and dispute resolution arrangements. However, it does not provide time limits and methods for responding to complaints in respect of all complaint lodgement options offered.</p> <p>Further, the procedure does not provide for resolving a complaint before the end of the period of 15 business days starting on the day the complaint was received, although this timeframe is stated in the Section 3.3 Resident's Enquiries of the Customer Service Charter.</p> <p>The specific complaints procedures as per the Code of Conduct are also not covered in the procedure.</p>	<p>Aquasol should update its Complaints Procedure to:</p> <ul style="list-style-type: none"> <li>a) provide for time limits and methods for responding to complaints;</li> <li>b) provide for resolving a complaint within 15 business days from the day the complaint was received;</li> <li>c) 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>d) 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>e) 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

B. Unresolved at end of current audit period			
Reference (no./year)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating/Details)	Auditor's Recommendation	Management Action taken by end of audit period
04/2015	<p><b>Prescribed Information to be Available in Hardcopy and on Website</b></p> <p><i>Water Services Act 2012 – Section 27 and 95(3)</i>  <i>Water Services Code of Conduct (Customer Service Standards) 2013 Clauses 37(1)</i>  <i>Licence conditions – Clause 5.1. and 5.3</i></p> <p><b>Not rated</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 auditor noted that the majority of the “prescribed information” set out in Section 37 of the Code is available to customers in the Customer Service Charter published on Aquasol's website and in hardcopy upon request. The building services fees and charges are also published on Aquasol's website and provided in hardcopy in the Builder's Application Package.</p> <p>The auditor noted that following “prescribed information” is not publicly available to customers:</p> <ul style="list-style-type: none"> <li>Information about Residential Pricing and Charges and about the services provided by Aquasol under clause 36 of the Code is provided in hardcopy to the residents but is not published on Aquasol's website; and</li> <li>Information under section 95(3), re the supply of water cannot be cut off to an occupied dwelling unless the occupier agrees and about sustainable use of water is not publicly available to customers on Aquasol's website or in hardcopy.</li> </ul>	<ol style="list-style-type: none"> <li>1. Aquasol should publish information about Residential Pricing and Charges and about the services provided by Aquasol under clause 36 of the Code on its website.</li> <li>2. Aquasol should update its Customer Service Charter for information under section 95(3), re the supply of water cannot be cut off to an occupied dwelling unless the occupier agrees and about sustainable use of water.</li> </ol>	Nil

B. Unresolved at end of current audit period			
Reference (no./year)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating/Details)	Auditor's Recommendation	Management Action taken by end of audit period
05/2015	<p><b>Performance and Compliance Reporting</b></p> <p><i>Water Services Act Section 29</i></p> <p><i>Licence Conditions – Specific Clauses – Provision of Information</i> <i>Clauses 5.1 and 16(1)</i></p> <p><b>Non-compliant – minor impact</b></p> <p>In accordance with the Water Compliance Reporting Manual April 2014, Aquasol 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 Aquasol's correspondence with the Authority and the available Compliance and Performance Reports for 2012/13 and 2013/14 and noted the following exceptions:</p> <ul style="list-style-type: none"> <li>The Compliance Report for the year ended 30 June 2014 was submitted on 8 September 2014 rather than by the due date of 31 August 2014.</li> <li>Aquasol was unable to source the Compliance Report for the year ended 30 June 2013 and evidence of its submission to the Authority by the due date within Aquasol's records.</li> </ul> <p>The auditor reviewed Aquasol's ERA Commitments To Follow (Based on Water Operation Licence No 42) schedule and noted that the requirement to submit the annual Compliance Report as well as annual Performance Report and their submission due dates is not specifically stated in the schedule.</p>	<ol style="list-style-type: none"> <li>Aquasol should ensure that all future Compliance Reports are submitted to the Authority within the timeframes required.</li> <li>Aquasol should keep records of all Compliance reports and reports submissions.</li> <li>Aquasol should update its ERA Commitments To Follow (Based on Water Operating Licence No 42) schedule for the requirement to submit the annual Compliance and Performance Reports and their due dates.</li> </ol>	Nil

B. Unresolved at end of current audit period			
Reference (no./year)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating/Details)	Auditor's Recommendation	Management Action taken by end of audit period
06/2015	<p><b>Compliance Register</b></p> <p><i>Licence Conditions – Specific Clauses – Provision of Information Clause 5.1 and 16.2</i></p> <p><i>Non-compliant – minor impact</i></p> <p>Section 9.3.2.3 of the Audit and Review Guidelines: Water Licenses July 2014 states that Authority expects licensees to maintain a compliance (or breach) register in respect of their licence conditions.</p> <p>Aquasol's Environmental Co-ordinator advised that they don't keep a compliance register.</p>	Aquasol should maintain a Compliance Breach Register in respect of their licence conditions to ensure that all contraventions of the licence conditions for each financial year are reported to the Authority in the annual Compliance report.	Nil
07/2014	<p><b>Internal Policies and Procedures relating to the Licence</b></p> <p><i>Water Services Act 2012 sections 27, 84(2), 87(2), 90(7), 95(3), 119(2), 122(2), 128(4), 141(1), 142, 143(2)&amp;(3), 144(3), 145(2), 147(3)&amp;(4), 151(1)-(3), 153(2)&amp;(3), 173(4), 174(1)&amp; (3), 175(2)&amp;(5), 176(1), (3)&amp;(4), 181, 186, 187(1)-(3), 190(4)&amp;(5), 218(2).</i></p> <p><i>Water Services Regulations 2012 – Reg. 60(2), 63, 85.</i></p> <p><i>Water Services Code of Conduct (Customer Service Standards) 2013 Clauses 13(1)&amp;(2), 14(1), 16(2)-(5), 17(1)&amp;(2), 31, 32, 33, 34(4)&amp;(6).</i></p> <p><i>Licence Conditions – Clause 5.1 and 15.1(d)</i></p> <p><i>Not rated</i></p> <p>The licence includes compliance obligations in respect of water service works, road works, notification to the Authority of general or major water (service works within 10 business days, termination of water supply, conditions of entry to premises, issue of work order notices or compliance notices, warrants, billing review, under and over charges, memorials, objections and reducing flow rates.</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>	<ol style="list-style-type: none"> <li>1. Aquasol should develop and/or update internal procedures with the requirements under the licence water service works, road works, notification to the Authority of general or major water service works within 10 business days, termination of water supply, conditions of entry to premises, issue of work order notices or compliance notices, warrants, billing review, under and over charges, memorials, objections and reducing flow rates. The detailed compliance obligations listed in this report could be used as a reference.</li> <li>2. Aquasol should update its ERA Commitments To Follow (Based on Water Operation Licence No 42) schedule for relevant requirements, such as notification to the Authority within 10 business days of major or general water service works.</li> </ol>	Nil

---



---

## 2.8 Conclusion

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

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 Aquasol has:

- a) complied with its licence obligations during the audit period from 5 February 2013 to 31 January 2015 with the exception of:
  - the Billing Enquiries (Review of a Bill) procedure does not contain all the information required under the *Water Services Code of Conduct (Customer Service Standards) 2013*;
  - the Complaints Procedure does not contain all the information required under the *Water Services Code of Conduct (Customer Service Standards) 2013*;
  - not all of the "prescribed information" under the Water Services Code of Conduct is available on Aquasol's website and in hardcopy; and
  - Compliance reports were not always submitted by the due dates, records of reports submissions are not always kept and there is no Compliance Breach Register.
- b) established an adequate control environment for ongoing compliance apart from the non-compliance issues noted above and some inadequate controls.
- c) maintained the data integrity of reporting to the Authority apart from the exceptions noted above.

The audit recommended that Aquasol:

- a) update the Billing Enquiries procedure to include the details required by the *Water Services Code of Conduct (Customer Service Standards) 2013*;
- b) update the Complaints Procedure to include the details required by the *Water Services Code of Conduct (Customer Service Standards) 2013*;
- c) ensure that all future Compliance Reports are submitted to the Authority within the timeframes required, keep a record of the reports submissions and update the ERA Commitments To Follow schedule for the requirement to submit the annual Compliance and Performance Reports and their due dates;
- d) update the ERA Commitments To Follow schedule for the Financial Hardship Policy's next review due date and other requirements noted in this report;
- e) make available all the "prescribed information" under the *Water Services Code of Conduct (Customer Service Standards) 2013* on Aquasol's website and in hardcopy; and
- f) develop and/or update internal procedures with the requirements under the licence water service works, road works, notification to the Authority of general or major water service works within 10 business days, termination of water supply, conditions of entry to premises, issue of work order notices or compliance notices, warrants, billing review, under and over charges, memorials, objections and reducing flow rates.

---

### 3. Asset Management System Review

---

#### 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 were:

- **Asset Planning** - high inherent risk.
- **Environmental Analysis** – high inherent risk.
- **Risk Management** – high inherent risk (first review)
- **Contingency Planning** - high inherent risk.

The review identified areas where improvement is required.

The review covered the period from 5 February 2013 to 31 January 2015.

### 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

As this is the first review of the asset management system, there are no previous recommendations.

### 3.4 Summary of Asset Management System Effectiveness Ratings

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

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

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

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

ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA	Process and policy definition rating				Performance rating			
where necessary.								
6.5 Risk management is applied to prioritise maintenance tasks.			C		2			
6.6 Maintenance costs are measured and monitored.	A				1			
<b>7. Asset Management Information System (MIS)</b>		B			2			
7.1 Adequate system documentation for users and IT operators.	A				1			
7.2 Input controls include appropriate verification and validation of data entered into the system.	A				1			
7.3 Logical security access controls appear adequate, such as passwords.	A				1			
7.4 Physical security access controls appear adequate.	A				1			
7.5 Data backup procedures appear adequate and backups are tested.		B			2			
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			2			
8.1 Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	A				1			
8.2 Risks are documented in a risk register and treatment plans are actioned and monitored.		B			2			
8.3 The probability and consequences of asset failure are regularly assessed.		B			2			
<b>9. Contingency planning</b>		B			2			
9.1 Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.		B			2			
<b>10. Financial planning</b>	A				2			
10.1 The financial plan states the financial objectives and strategies and actions to achieve the objectives.	A				1			
10.2 The financial plan identifies the source of funds for capital expenditure and recurrent costs.	A				1			
10.3 The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance	A				1			



ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA	Process and policy definition rating				Performance rating			
sheets).								
10.4 The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	A				1			
10.5 The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	A					2		
10.6 The financial plan states the financial objectives and strategies and actions to achieve the objectives.	A				1			
<b>11. Capital expenditure planning</b>	A				1			
11.1 There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	A				1			
11.2 The plan provides reasons for capital expenditure and timing of expenditure.	A				1			
11.3 The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.	A				1			
11.4 There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	A				1			
<b>12. Review of asset management system</b>	A					2		
12.1 A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.	A					2		
12.2 Independent reviews (e.g. internal audit) are performed of the asset management system.	A				1			

### 3.5 Review Observations and Recommendations

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
<b>1</b>	<b>ASSET PLANNING</b>	Process Rating <sup>7</sup>	<b>A</b>	Performance Rating <sup>8</sup>	<b>1</b>
1.1	Asset management plan covers key requirements.	The Aquasol Asset Management Plan (AMP) Lancelin South Development Waste Water Treatment Services (developed in May 2013) and Asset Management Plan (AMP) Lancelin South Development - Potable and Non Potable Water Supply (revised in January 2014) were sighted. Both Plans align with the Asset Management Plan format set out in the Institute of Public Works Engineering Australia's (IPWEA) International Infrastructure Management Manual (IIMM).			
1.2	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	Both AMPs state the needs of the various stakeholders and are part of Aquasol's overall business planning framework.			
1.3	Service levels are defined.	The levels of service and performance parameters have been defined in both AMPs. Performance is measured in performance reports to the Authority.			
1.4	Non-asset options (e.g. demand management) are considered.	The assets are considered appropriate for the current levels of demand. Less than 50 lots have been sold to date. The development is currently divided into three Phases. Phase 1 comprises a total of 250 lots, Phase 2 will increase this to 1,000 lots and Phase 3 will increase this to total of 4,000 lots. The Water Treatment Plant was built for the first 2 phases of the project (total of 1,000 lots). After phase 2 is completed, a new proposal will be submitted to the Authority to update current system to service up to 4,000 lots. The current waste water treatment scheme can cater for up to 50 lots and then further plant development is planned.			
1.5	Lifecycle costs of owning and operating assets are assessed.	The Cashflow Analyses for potable/non potable water supply and wastewater supply included in the respective AMPs include detailed projections of the lifecycle costs of owning and operating the assets for 25 years to 2037.			
1.6	Funding options are evaluated.	Funding options have been considered and agreements were sighted to confirm the funding of the capital cost and recurrent costs of the treatment facilities.			
1.7	Costs are justified and cost drivers	The operating and maintenance costs and capital expenditure have been justified in the Cashflow Analyses for			

<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)			
	identified.	potable/non potable water supply and wastewater supply included in the respective AMPs. The cost drivers are the sale of lots that would require further capital expenditure to accommodate the increase demand and expansion of the project to the next stages, condition of the assets and the maintenance regime which will impact the life of the assets.			
1.8	Likelihood and consequences of asset failure are predicted.	The respective AMPs for potable/non potable water supply and for wastewater supply includes a detailed risk assessment with the likelihood and consequences of each risk.			
1.9	Plans are regularly reviewed and updated.	<p>The Asset Management Plan Lancelin South Development Waste Water Treatment Services has been developed in May 2013. The Asset Management Plan Lancelin South Development Potable and Non Potable Water Supply has been revised in January 2014.</p> <p>Both Plans have a section on Monitoring and Review Procedures. This requires asset management plans to be reviewed annually and reissued when changes occur to the current systems, processes and procedures.</p>			
<b>2</b>	<b>ASSET CREATION/ ACQUISITION</b>	Process Rating	<b>B</b>	Performance Rating	<b>2</b>
2.1	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	<p>No new assets were acquired during the review period.</p> <p>The AMP includes an assessment of solutions and the planned approach including the acquisition or construction of new assets as demand increases.</p>			
2.2	Evaluations include all life-cycle costs.	The Cashflow Analyses for potable/non potable water supply and wastewater supply in the respective AMPs include detailed projections of the lifecycle costs of owning and operating the assets for 25 years to 2037. They include an assessment of the lifecycles of the assets and a costing of the maintenance, operations and capital expenditure requirement and asset replacement costs.			
2.3	Projects reflect sound engineering and business decisions.	Projects are undertaken using Aquasol's normal project planning and management processes. The Aquasol's Asset Creation/Acquisition Policy has been sighted.			
2.4	Commissioning tests are documented and completed.	No new assets were acquired during the review period.			
2.5	Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	<p>Section 2.3 of the respective AMPs for potable/non potable water supply and wastewater supply outlines the legislative, environmental and safety requirements. These are monitored by Aquasol's Environmental Co-ordinator.</p> <p>However, the reviewer noted that the Legislative Requirements Section of the AMP for Waste Water Treatment Services (dated May 2013) still refers to the Water Services Act 1995 and the old version of the operating licence and does 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>			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<u>Recommendation 08/2015</u> <i>The Legislative Requirements Section of the AMP for Waste Water Treatment Services 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>			
3	ASSET DISPOSAL	Process Rating	A	Performance Rating	1
3.1	Under-utilised and under-performing assets are identified as part of a regular systematic review process.	<p>The construction of Waste Water Treatment Plant (Stage 2) has not commenced as yet and will be triggered upon the sale of 50 lots. Under the current Stage 1, Aquasol manages the waste water Collection Point and cartage and the Water Corporation manages the treatment system.</p> <p>The Water Treatment Plant is a new system and all assets are in a very good condition. No assets were disposed during the review period and no disposals are anticipated in the near future other than replacements as required.</p> <p>Any under-performing assets should be identified during the monthly routine maintenance checks. Client Service Reports are being completed by the technician undertaking the monthly routine maintenance checks, for internal records. Aquasol also utilises a Servicing and Maintenance Log Book on each project to have a record of services and maintenance conducted. Log books are filled by authorised staff members.</p>			
3.2	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	<p>No assets were disposed during the review period and no disposals are anticipated in the near future other than replacements as required.</p> <p>Any under-performing assets should be identified during the monthly routine maintenance checks. Client Service Reports are being completed by the technician undertaking the monthly routine maintenance checks, for internal records. Aquasol also utilises a Servicing and Maintenance Log Book on each project to have a record of services and maintenance conducted. Log books are filled by authorised staff members. Constant maintenance and a scheduled service support decisions on asset disposal and disposal alternatives.</p> <p>As stated in the Section 4.7 Asset Disposal Plan of the respective AMPs for potable/non potable water supply and wastewater supply, disposal decisions are undertaken within an integrated planning framework that takes into account service delivery needs, corporate objectives, financial and budgetary constraints.</p>			
3.3	Disposal alternatives are evaluated.	<p>No assets were disposed during the review period and no disposals are anticipated in the near future. Section 4.7 Asset Disposal Plan of the respective AMPs for potable/non potable water supply and wastewater supply considers a number of disposal alternatives.</p>			
3.4	There is a replacement strategy for assets.	<p>The Cashflow Analyses for potable/non potable water supply and wastewater supply included in the respective AMPs include a detailed replacement and renewal strategy. The analyses assume that assets will be replaced at the end of their standard economic life. In reality, some assets will fail earlier than the standard life and some assets will remain</p>			



Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		useful beyond the standard replacement life.			
4	<b>ENVIRONMENTAL ANALYSIS</b>	Process Rating	B	Performance Rating	2
4.1	Opportunities and threats in the system environment are assessed.	Opportunities and threats for the potable/non potable water system and wastewater system are considered in their respective AMPs and in their risk assessment spreadsheets.			
4.2	Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved.	The Annual Performance Report for 2013/14 was sighted. Performance standards have been met.			
4.3	Compliance with statutory and regulatory requirements.	<p>Section 2.3 of the respective AMPs for potable/non potable water supply and wastewater supply identifies the following regulatory requirements:</p> <ul style="list-style-type: none"> <li>▪ Water Services Licensing Act 1995 and 2012;</li> <li>▪ Occupational Safety and Health Act 1984;</li> <li>▪ Occupational Safety and Health Regulations 1996; and</li> <li>▪ Rights in Water Irrigation Act 1914.</li> </ul> <p>Regulatory Approvals in place:</p> <ul style="list-style-type: none"> <li>▪ Department of Water: Abstraction Licence 5C for 470,000Kiloliter/year from the Leederville aquifer (1,000 lots) – dated 5 April 2013 (ref No: GWL176077);</li> <li>▪ All Western Australian Planning Commission (WAPC) planning approvals have been granted for the subdivision. This required a full Department of Environment and Conservation (DEC) approval and the DEC did not stipulate any conditions regarding the installation of the water supply infrastructure.</li> </ul> <p>Aquasol's Environmental Co-ordinator monitors compliance.</p> <p>Regarding specific regulations for drinking water purposes, an application to the Department of Health (DoH) was submitted before water supply system was built. As required by the Authority, a Memorandum of Understanding (MOU) with DoH is required to be entered into. The reviewer reviewed the correspondence between Aquasol and DoH and noted that the implementation of a new MOU with Aquasol was deferred, by mutual agreement, until such time as an MOU can be finalised that is based on the Australian Drinking Water Guidelines 2011.</p> <p>The Aquasol's Environmental Co-ordinator advised that the MOU is still under revision by DoH, there is no formal water sampling program, and no annual report has been requested by the DoH.</p> <p>As stated in the AMP for potable/ non potable water supply, all material used that is in contact with drinking water is approved by the "Material and substances in Drinking Water" published by DoH, with exception of the anti-scalant</p>			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)				
		<p>which does not require approval as it will be removed in the final treatment water process.</p> <p><u>Recommendation 09/2015</u></p> <p><i>As planned, Aquasol should finalise the MOU with the Department of Health to formalise the water treatment plant's conformance with the Australian Drinking Water Guidelines 2011 and the annual compliance reporting to the Department.</i></p> <p>Aquasol still samples the site monthly as an internal practice to confirm performance of the system. The reviewer sighted Lancelin - monthly sampling results spreadsheet as well as a sample of Laboratory Reports. However, as noted in item 6.1, there is no documentation of the water sampling procedure in place. <i>Refer recommendation 11/2015</i></p> <p>Aquasol have in place Environmental Policies and procedures that are implemented throughout the company on all of Aquasol's sites. A copy of Aquasol's Environmental Management System for Lancelin South Development was sighted. This covers activities associated with the use of hard stand facilities, chemical use and storage, general and hazardous chemical management.</p> <p>However, the Legislative Requirements Section of the AMP for Waste Water Treatment Services (dated May 2013) still refers to the Water Services Act 1995 and the old version of the operating licence and does 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>Refer recommendation 08/2015.</i></p>				
4.4	Achievement of customer service levels.	The Compliance Report for 2013/14 shows that customer service levels have been achieved. The Environmental Co-ordinator advised that there have been no customer complaints and this was confirmed by review of the Complaints Register for the review period.				
5	ASSET OPERATIONS	<table><tr><td>Process Rating</td><td>B</td><td>Performance Rating</td><td>2</td></tr></table>	Process Rating	B	Performance Rating	2
Process Rating	B	Performance Rating	2			
5.1	Operational policies and procedures are documented and linked to service levels required.	<p>Both Asset Management Plans for potable/non potable water supply and wastewater treatment services include an overview of the operations and components of the overall systems.</p> <p>The construction of Waste Water Treatment Plant (Stage 2) has not commenced as yet and will be triggered upon the sale of 50 lots. Under the current Stage 1, Aquasol manages the waste water Collection Point and cartage and the Water Corporation manages the treatment system. Sewage is collected by gravity to the main sewage pit from where it is pumped out by the authorised truck contractor for sewage transport to be discharged to Water Corporation's treatment plant. A copy of the Liquid Waste Receivable Agreement between Water Corporation and Aquasol Pty Ltd and Lancelin South Pty Ltd (the developer) was sighted. The reviewer also sighted Aquasol's sludge pump out</p>				



Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<p>records. A WWTP Operational and Maintenance Manual will be provided after construction and will be kept on site for use if necessary.</p> <p>The AMP for Lancelin South potable and non potable water supply includes the components of the overall system including Water Treatment Plant, water harvesting/abstraction sources and methods, storage apparatus, treatment assets, reticulation network and a description of systems operation from source to reticulation.</p> <p>There is also a WTP Operational and Maintenance Manual in place that details a Containerized Filtration and Reverse Osmosis System servicing Lancelin South Development. The Manual is used by the service technician/maintenance personnel and a copy of the Manual was observed to be included in Aquasol's procedures file kept on site. The Water Treatment Plant is automatic apart from some monthly maintenance to refill chemical drums, compile data logged information and undertake sampling. Other documents available online and on site include the Safety Call Procedure, Chemical Logbook, Aquasol Contact List, A3000 Chlorine MSDS and Scalant Aquasol 135. Overall, the operational procedures are considered adequate.</p> <p>For the sewerage service, to serve the initial lots, a small length of gravity sewer has been constructed discharging to a service pit. From this pit, sewage is pumped to a truck and discharged at the Water Corporation Sewerage treatment plant. A company, Lancelin Sands is used to pump out the pit, in response to a request from Aquasol. No formal contract is in place for this activity.</p> <p><u>Recommendation 10/2015</u></p> <p><i>Aquasol should put in place a formal contract with the existing or another experienced contractor for the pump out of the sewage collection pit.</i></p>
5.2	Risk management is applied to prioritise operations tasks.	<p>Both Asset Management Plans includes a risk assessment policy and this has been applied in developing a risk assessment registers and the routine general maintenance programs.</p> <p>Maintenance tasks are scheduled based on the asset class and also an assessment of the risk associated with that asset not being adequately maintained.</p> <p>In addition, Aquasol also conducts Job Safety Analysis (JSA) of the work task/activity. The JSA Worksheets have been completed for the following activities:</p> <ul style="list-style-type: none"> <li>• Pipe Fit Out – Electro fusion;</li> <li>• Pipe Fit Out – Threaded and compression;</li> <li>• Pipe Fit Out Glued;</li> <li>• Pipe Laying.</li> </ul> <p>JSA is a simple process that means looking at a work task/activity and considering the safest way to complete it.</p>

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		Understanding a JSA enables those involved in the work task/activity to identify hazards that may be present and establish safety control measures (preventative measures) to prevent harm to life, health, property or the environment.
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 Asset Register for the WTP was sighted. The current WTP Asset Register includes details on:</p> <ul style="list-style-type: none"> <li>▪ Asset Identification Code;</li> <li>▪ Description;</li> <li>▪ Dimensions/ type;</li> <li>▪ Construction materials/ model; and</li> <li>▪ Construction date</li> </ul> <p>The historical cost information for the assets has not been transferred to the Asset Register but is in the financial system.</p> <p>The asset location is documented in "As Constructed" drawings stored in Aquasol's office (hard copy) and electronically on the network. An asset register for the distribution mains to the sub-division, and reticulation mains and equipment within the sub-division was not provided.</p> <p>The WWTP Asset Register has been developed based on the main WWTP assets to be constructed or acquired on a staged basis. However the current sewage assets that are in place re tankering the liquid waste to the Water Corporation's treatment plant are not documented in the Asset Register for Sewage Services.</p> <p><u>Recommendation 11/2015</u></p> <p><i>Aquasol should ensure that the distribution mains to the sub-division, and reticulation mains and equipment within the sub-division are documented accurately and completely in the Asset Register.</i></p>
5.4	Operational costs are measured and monitored.	All asset expenditure is captured in Aquasol's Financial Management Information System (FMIS). The historical cost information for the assets has not been transferred to the Asset Register but is in the FMIS.
5.5	Staff resources are adequate and staff receive training commensurate with their responsibilities.	<p>Both AMPs for potable/non potable water supply and wastewater supply outline the current human resources required to support the plan as follows:</p> <ul style="list-style-type: none"> <li>▪ Technical Operational Manager</li> <li>▪ Construction Manager</li> <li>▪ Environmental Consultant.</li> </ul> <p>The Water Treatment Plant is automatic, only requiring routine maintenance, chemical refill and sampling reports to compile data logged information to satisfy the license.</p> <p>The reviewer also sighted a listing of the key personnel used to install and/or operate and/or maintain the supply of</p>

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<p>water services with the summary of the key qualifications of the key personnel and was satisfied that there are adequate staff resources and staff are adequately trained to perform their duties.</p> <p>The reviewer confirmed that the Aquasol has its own team of electricians, a welder and backup service technician/maintenance personnel.</p>			
6	<b>ASSET MAINTENANCE</b>	Process Rating	C	Performance Rating	2
6.1	Maintenance policies and procedures are documented and linked to service levels required.	<p>Both Asset Management Plans for potable/non potable water supply and wastewater treatment services include a section on Maintenance Planning that provides an overview of the maintenance activities.</p> <p>There is a Monthly General Maintenance Plan for the Water Treatment Plant (WTP) in place. The WTP is automatic apart from some monthly maintenance to refill chemical drums, compile data logged information and undertake sampling. The Monthly General Maintenance Plan only lists the tasks to be undertaken and the performance of the tasks is reliant on the knowledge of the key personnel for example undertake water sampling, calibrate and verify chlorine readings, general maintenance to compressor etc.</p> <p>Client Service Reports are being completed by the technician undertaking the monthly routine maintenance checks, for internal records. Aquasol also utilises a Servicing and Maintenance Log Book on each project to have a record of services and maintenance conducted. Log books are filled out by authorised staff members.</p> <p>Aquasol samples the site monthly as an internal practice to confirm performance of the WTP. The reviewer sighted Lancelin - monthly sampling results spreadsheet as well as a sample of Laboratory Reports. However, there is no water sampling procedure in place.</p> <p>During a site inspection, the Construction Manager advised that apart from the monthly general maintenance the Aquasol staff also inspect the WTP on a weekly basis. However, the tasks undertaken during the weekly inspection of the plant are not documented and the performance of the tasks is reliant on the knowledge of the key personnel, although the backup maintenance staff are trained in what to do.</p> <p>However, the reviewer noted that the routine maintenance plan for wastewater treatment services was developed on the assumption that the Waste Water Treatment Plant (WWTP) has been constructed and the routine maintenance required under the current level of sewage service operation has not been considered and documented. As such, there is no routine maintenance plan in place for the current stage of sewage service operation and Aquasol's Environmental Co-ordinator confirmed that no routine maintenance of sewage system assets is currently taking place apart from the checking of the sewage pit level. Although, the reviewer confirmed that the sewage pit level is being checked, this is not documented in any maintenance checklist. No information was available on procedures for checking and maintaining the distribution mains, and reticulation system within the subdivision for leaks or other damage.</p> <p><u>Recommendation 12/2015</u></p>			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<ol style="list-style-type: none"> <li>1. <i>Aquasol should prepare a Maintenance Plan spreadsheet in accordance with section 6.2 of the Asset Management Plan and mark it off as tasks are completed.</i></li> <li>2. <i>Aquasol should ensure that the tasks undertaken during the weekly inspection of the WTP are documented, included in Aquasol's planned work program and marked off as it is completed.</i></li> <li>3. <i>Aquasol should ensure that, where not self-explanatory, the routine maintenance tasks are documented in more detail and work procedures developed where required e.g. water sampling procedure etc.</i></li> <li>4. <i>Aquasol should implement a procedure for checking the distribution and reticulation main systems on at least an annual basis, and the carrying out of maintenance to repair any observed fault.</i></li> </ol>
6.2	Regular inspections are undertaken of asset performance and condition.	<p>Asset operation is monitored via the planned maintenance checks by senior staff and others, who have the skill and knowledge to do so. However, as noted in item 6.1, the routine maintenance required under the current level of sewage service operation (ie checking levels in the sewerage overflow pit) is not documented and included in Aquasol's routine maintenance program. There is no other equipment onsite for the waste water treatment that requires maintenance.</p> <p><i>Refer recommendation 12/2015</i></p>
6.3	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	<p>There is a Monthly General Maintenance Plan for WTP included in the AMP for potable and non potable water supply. The maintenance schedule specifies maintenance tasks to be carried out. It provides a checklist of maintenance tasks but is reliant on the knowledge and ability of the person performing the maintenance to carry them out satisfactorily. The review confirmed the planned maintenance activities had been completed for the review period. Client Service Reports are being completed by the technician undertaking the monthly routine maintenance checks, for internal records. Aquasol also utilises a Servicing and Maintenance Log Book on each project to have a record of services and maintenance conducted. Log books are filled by authorised staff members.</p> <p>The documentation provided is focussed on the WTP. No information was available on procedures for checking and maintaining the distribution mains, and reticulation system within the subdivision for leaks or other damage.</p> <p><i>Refer recommendation 12/2015</i></p> <p>The unforeseen maintenance tasking is instigated by a telephone call-out system to the Aquasol Manager or Supervisor, who attends the site, assesses the requirements and arrange the immediate and follow-up actions and activities. The Safety Call Procedure as well as the WTP Operational and Maintenance Manual include the emergency contact details. Copies of the Safety Call Procedure and of the Manual were observed to be included on Aquasol's procedures file kept on site.</p>
6.4	Failures are analysed and operational/maintenance plans adjusted	The WTP is automatic apart from some monthly maintenance to refill chemical drums, compile data logged information and undertake sampling.



Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	where necessary.	Alarms are activated when any particular parameters are breached. All system alarms are registered and can be viewed on the screen. The existing alarm or alarms are displayed with reference to the relative operational problematic area of the plant. The plants alarm history is also displayed on the screen. All failures/alarms are analysed and plans adjusted as necessary.			
6.5	Risk management is applied to prioritise maintenance tasks.	<p>Both Asset Management Plans includes a risk assessment policy and this has been applied in developing a risk assessment registers and the routine general maintenance programs. Although, as noted in item 8.1, the Risk Assessment for Sewage System was developed on the assumption that the WWTP has been already constructed and the risks associated with the current level of sewage service operation have not been considered and documented. <i>Refer Recommendation 14/2015</i></p> <p>Maintenance tasks are scheduled based on the asset class and also an assessment of the risk associated with that asset not being adequately maintained. However, as noted in item 6.1, the routine maintenance required under the current level of sewage service operation is not documented and included in Aquasol's routine maintenance program. <i>Refer recommendation 12/2015</i></p> <p>In addition, Aquasol also conducts Job Safety Analysis (JSA) of the work task/activity. The JSA Worksheets have been completed for the following activities:</p> <ul style="list-style-type: none"> <li>• Pipe Fit Out – Electro fusion;</li> <li>• Pipe Fit Out – Threaded and compression;</li> <li>• Pipe Fit Out Glued;</li> <li>• Pipe Laying.</li> </ul> <p>JSA is a simple process that means looking at a work task/activity and considering the safest way to complete it. Understanding a JSA enables those involved in the work task/activity to identify hazards that may be present and establish safety control measures (preventative measures) to prevent harm to life, health, property or the environment.</p>			
6.6	Maintenance costs are measured and monitored.	<p>The reviewer confirmed by interview with Aquasol's Environmental Co-ordinator and review of a sample of Aquasol's records that maintenance costs are tracked through the FMIS and monitored.</p> <p>Variations in actual and budget income and expenses are identified and monitored. As per the Essential Service Agreement between Lancelin South Pty Ltd and Aquasol Pty Ltd, if at any time financial forecasts indicate that costs or revenues will vary significantly from initial forecasts, Aquasol will adjust prices to the extent reasonably required to meet any resulting shortfall. Water price adjustment will be subject to agreement with Lancelin South.</p>			
7	<b>ASSET MANAGEMENT INFORMATION SYSTEM</b>	Process Rating	B	Performance Rating	2

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
7.1	Adequate system documentation for users and IT operators.	Aqasol currently operates a simple computerised asset management information system based on Excel spreadsheets. The system is documented in both Asset Management Plans for potable/non potable water supply and wastewater supply.			
7.2	Input controls include appropriate verification and validation of data entered into the system.	Excel spreadsheets are populated and data is checked when input.			
7.3	Logical security access controls appear adequate, such as passwords.	The AMP and the accompanying Excel spreadsheets have been saved on Aqasol's server. There is a password access to Aqasol's system and PCs which restricts access to authorised Aqasol officers.			
7.4	Physical security access controls appear adequate.	The Aqasol offices are locked and alarmed outside of hours.			
7.5	Data backup procedures appear adequate and backups are tested.	<p>The system is backed up daily and a copy stored offsite as part of the standard IT maintenance procedure. However, there was no evidence that backups are regularly tested.</p> <p><u>Recommendation 13/2015</u></p> <p><i>Aqasol should ensure that data backups are regularly tested, such as monthly, to ensure that data can be recovered.</i></p>			
7.6	Key computations related to licensee performance reporting are materially accurate.	Some Excel spreadsheets contain formulas. The review confirmed that the key computations in the Excel spreadsheets are accurate.			
7.7	Management reports appear adequate for the licensee to monitor licence obligations.	<p>Apart from printing the Excel spreadsheets out, there is no ability to create management reports.</p> <p>However, the functionality of the suite of Excel spreadsheets is adequate for Aqasol's needs.</p>			
8	<b>RISK MANAGEMENT</b>	Process Rating	B	Performance Rating	2
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>Both Aqasol's AMPs Lancelin South Development for Potable and Non Potable Water Supply (dated January 2014) and WWTP (dated May 2013) include a risk assessment policy and procedure. This has been applied to develop detailed Risk Assessments for events and assets.</p> <p>The respective risk assessment registers for Water Treatment Plant and Sewage System consider and include various components of the overall systems including power failure, equipment failure and tank leak/rupture.</p> <p>However, the reviewer noted that the Risk Assessment for Sewage System was developed on the assumption that the WWTP has been already constructed and the risks associated with the current level of sewage service operation</p>			



Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<p>have not been considered and documented such as the failure by the waste water cartage contractor to pump out the sludge as required etc.</p> <p>Potable and non potable water is supplied by separate reticulation networks which prevents cross contamination.</p> <p><u>Recommendation 14/2015</u></p> <p><i>The Aquasol should consider the risks associated with the current level of sewage service such as the failure by the waste water cartage contractor to pump out the sludge as required etc. and document the identified risks and treatment plans in the AMP for the Wastewater Treatment Services and in the WWTP Risk Register.</i></p>
8.2	Risks are documented in a risk register and treatment plans are actioned and monitored.	<p>The risks have been documented in the respective Risk Assessment worksheets for Water Treatment Plant and Sewerage System. The risk assessment concluded that failure of the Asset Management Systems and all other assets were a low to moderate risk exposure, which could be managed with current processes and procedures. Although, as noted in item 8.1 above, the Risk Assessment for Sewage System was developed on the assumption that the WWTP has been already constructed and the risks associated with the current level of sewage service operation have not been considered and documented. <i>Refer Recommendation 14/2015</i></p> <p>Treatment plans (mitigation and contingency) have been documented in the respective Asset Management Plans and detailed Risk Registers.</p> <p>As the treatment plans are mainly based on contingencies that are part of the design of the WTP plant, backup equipment and routine checks and maintenance performed as part of the weekly site inspections and monthly routine maintenance regime, the treatment plans are being actioned and monitored as part of the daily operation and maintenance of the plant.</p> <p>However, current copies of the respective Risk Registers for Water Treatment Plant and Sewage System were not observed to be included on Aquasol's procedures file kept on site.</p> <p><u>Recommendation 15/2015</u></p> <p><i>Aquasol should ensure that current copies of the Risk Registers for Water Treatment Plant and Sewage System are kept on Aquasol's procedures file kept on site.</i></p>
8.3	The probability and consequences of asset failure are regularly assessed.	<p>Both Asset Management Plans include a risk assessment policy and procedure. This has been applied to develop a detailed Risk Assessments for events and assets, including the probability and consequences of asset failure.</p> <p>The reviewer sighted the respective risk assessments for WTP and Sewage System and confirmed that all identified hazards are controlled to ALARP (as low as reasonable practicable). There are currently no medium and high residual risks on the Risk Registers.</p>

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Both Plans have a section on Monitoring and Review Procedures. This requires AMPs to be reviewed annually and reissued when changes occur to the current systems, processes and procedures.			
9	CONTINGENCY PLANNING	Process Rating	B	Performance Rating	2
9.1	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	<p>Both Asset Management Plans for potable/non potable water and wastewater supply and respective Asset Registers include mitigation and management strategies. Although the treatment plans are mainly based on contingencies that are part of the design of the WTP plant, backup equipment and routine checks and maintenance performed as part of the weekly site inspections and monthly routine maintenance regime, the reliance is placed on the knowledge of key personnel to act in the emergency situations.</p> <p>All risk event "residual risk exposure" are identified as low as contingency measures have been put in place. Eg dual pumps operating in duty/standby to provide a backup where one pump fails. It is considered that the risk management strategies in place are adequate.</p> <p>The risk management planning is considered to covers all the significant risks for the WTP. The plant has alarms and backup systems that allow water to be delivered while faults are resolved. However, the contingency measures and plans have not been formally documented and relevant staff formally briefed on their operation.</p> <p>No contingency plan has been considered for the existing waste water treatment, such as for sewerage overflow from the gravity reticulation system.</p> <p><u>Recommendation 16/2015</u></p> <p>1. Based on the risk assessment in the AMPs, Aquasol should document the emergency procedures to cover events identified in the risk assessment as being higher risks as well as sewerage overflows from the gravity reticulation system. The contingency plans should include:</p> <ul style="list-style-type: none"> <li>○ Detailed procedures</li> <li>○ Key contact details – name, number and location</li> <li>○ Communication protocols</li> <li>○ Specifications, location and availability of emergency equipment</li> <li>○ Authorities that need to be contacted and when.</li> </ul>			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		2. <i>Once developed, the contingency plans should be reviewed and tested on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency.</i>			
10	FIN/ANCIAL PLANNING	Process Rating	A	Performance Rating	2
10.1	The financial plan states the financial objectives and strategies and actions to achieve the objectives.	Both Aquasol's AMPs Lancelin South Development for Potable and Non Potable Water Supply (dated January 2014) and WWTP (dated May 2013) have 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.	The AMP and agreement between the developer and Aquasol identify the sources of funding. The Essential Service Agreement between Lancelin South Pty Ltd and Aquasol Pty Ltd dated 25 <sup>th</sup> September 2012 and bank guarantee were sighted.			
10.3	The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	The Cashflow Analyses for Lancelin South potable/non potable water supply and wastewater supply included in the respective AMPs include detailed projections of the lifecycle costs of owning the assets for 25 years to 2037.			
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	<p>The Cashflow Analyses for Lancelin South potable/non potable water supply and wastewater supply included in the respective AMPs include projections of the income of the both schemes over the next 25 years.</p> <p>Regarding the risk management strategies, the two main revenue-side risk management strategies are:</p> <ul style="list-style-type: none"> <li>• The financial backing of the developer to ensure project does not incur losses, and</li> <li>• A fixed charge component in the prices to protect revenue against demand fluctuations.</li> </ul> <p>Prices to residents have been developed with reference to Water Corporation charges in Lancelin and the internal costs of operating and maintaining the infrastructure, plus the cost of administering the services. Prices will subsequently be indexed by CPI each year.</p>			
10.5	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	The Cashflow Analyses for Lancelin South potable/non potable water supply and wastewater supply included in the respective AMPs include detailed projections of the lifecycle costs of owning the assets for 25 years to 2037, including projected Lancelin South developer contributions required, Aquasol's revenue from customers, operating and maintenance expenditure, administration and capital expenditure requirements of the services.			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<p>The plan is based on the sale of a significant number of lots, projected to be 660 by 2017. The financial plan relates to Aquasol's performance, with revenue subsidised by Lancelin South Pty Ltd.</p> <p>It was observed that the actual rate of lot uptake is far lower than the projections. This may have negative impacts on the financial capacity of Lancelin South P/L to provide ongoing funds to Aquasol to run the Water Supply and Treatment systems in accordance with the Agreement.</p> <p><u>Recommendation 17/015.</u></p> <p><i>The Financial Plan in the Asset Management Plans should be updated for the slower take-up of lots and the impact, if any, on the operating revenue and costs of providing the water treatment services.</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 and monitored. As per the Essential Service Agreement between Lancelin South Pty Ltd and Aquasol Pty Ltd, if at any time financial forecasts indicate that costs or revenues will vary significantly from initial forecasts, Aquasol will adjust prices to the extent reasonably required to meet any resulting shortfall. Water price adjustment will be subject to agreement with Lancelin South.			
11	<b>CAPITAL EXPENDITURE PLANNING</b>	Process Rating	A	Performance Rating	1
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	<p>The Cashflow Analyses for Lancelin South potable/non potable water supply and wastewater supply included in the respective AMPs includes a detailed capital expenditure plan for 25 years to 2037. The asset replacement programs assume that assets will be replaced at the end of their standard economic life.</p> <p>The developer of Lancelin South, Lancelin South Pty Ltd has agreed to fund the capital cost of the project.</p>			
11.2	The plan provides reasons for capital expenditure and timing of expenditure.	The asset replacement programs for potable/non potable water supply and wastewater supply in the respective AMPs assume that assets will be replaced at the end of their standard economic life. In reality some assets will fail earlier than the standard life and some assets will remain useful beyond the standard replacement life.			
11.3	The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.	The capital expenditure plans for potable/non potable water supply and wastewater supply are consistent with the asset life and condition identified in the asset management plans.			
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	Both Asset Management Plans will be reviewed annually and reissued when changes occur to the current systems, processes and procedures. The maintenance and capital investment plans will be revised annually.			
12	<b>REVIEW OF ASSET MANAGEMENT SYSTEM</b>	Process Rating	A	Performance Rating	2



Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
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 Asset Management Plan - Lancelin South Development Waste Water Treatment Services has been developed in May 2013. The Asset Management Plan Lancelin South Development Potable and Non Potable Water Supply has been revised in January 2014.</p> <p>Both Plans have a section on Monitoring and Review Procedures. This requires Asset Management Plans to be reviewed annually and reissued when changes occur to the current systems, processes and procedures, and external review of the system every 24 months as per the licence condition. The Plan has document control (version details).</p> <p>The Asset Management Plan - Lancelin South Development Waste Water Treatment Services was due for review in May 2014 but no evidence was provided of any review.</p> <p><u>Recommendation 18/2015</u></p> <p><i>As stated in the Asset Management Plans, the Plans should be reviewed on an annual basis.</i></p>
12.2	Independent reviews (e.g. internal audit) are performed of the asset management system.	An independent review is performed every 24 months as required by the licence.

### 3.6 Current Review Asset System Deficiencies and Recommendations

Table of Current Review Asset System Deficiencies and Recommendations			
A. Resolved during current review period			
Ref.	Asset System Deficiency (Rating/AMS Component/Effectiveness Criteria/Details)	Date Resolved (& management action taken)	Auditor's Comments
	Nil		
B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
08/2015 B2	<p><b>Asset Creation and Acquisition – Update of Legislation</b>  <i>Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.</i></p> <p>Section 2.3 of the respective AMPs for potable/non potable water supply and wastewater supply outlines the legislative, environmental and safety requirements. These are monitored by Aquasol's Environmental Co-ordinator.</p> <p>However, the reviewer noted that the Legislative Requirements Section of the AMP for Waste Water Treatment Services (dated May 2013) still refers to the Water Services Act 1995 and the old version of the operating licence and does 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>The Legislative Requirements Section of the AMP for Waste Water Treatment Services 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.</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
09/2015 B2	<p><b>Environmental Analysis – Department of Health</b>  <i>Compliance with statutory and regulatory requirements.</i></p> <p>Regarding specific regulations for drinking water purposes, an application to the Department of Health (DoH) was submitted before water supply system was built. As required by the Authority, a Memorandum of Understanding (MOU) with DoH is required to be entered into. The reviewer reviewed the correspondence between Aquasol and DoH and noted that the implementation of a new MOU with Aquasol was deferred, by mutual agreement, until such time as an MOU can be finalised that is based on the Australian Drinking Water Guidelines 2011.</p> <p>As stated in the AMP for potable/ non potable water supply, all material used that is in contact with drinking water is approved by the "Material and substances in Drinking Water" published by DoH, with exception of the anti-scalant which does not require approval as it will be removed in the final treatment water process.</p> <p>Aquasol's Environmental Co-ordinator advised that the MOU is still under revision by DoH, there is no formal water sampling program, and no annual report has been requested by the DoH.</p>	As planned, Aquasol should finalise the MOU with the Department of Health to formalise the water treatment plant's conformance with the Australian Drinking Water Guidelines 2011 and the annual compliance reporting to the Department.	Nil
10/2015 B2	<p><b>Asset Operations – Sewerage cartage</b>  <i>Operational policies and procedures are documented and linked to service levels required.</i></p> <p>For the sewerage service, to serve the initial lots, a small length of gravity sewer has been constructed discharging to a service pit. From this pit, sewage is pumped to a truck and discharged at the Water Corporation Sewerage treatment</p>	Aquasol should put in place a formal contract with the existing or another experienced contractor for the pump out of the sewage collection pit.	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
	plant. A company, Lancelin Sands is used to pump out the pit, in response to a request from Aquasol. No formal contract is in place for this activity.		
11/2015 B2	<p><b>Asset Operations – Update of Asset Register</b></p> <p><i>Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and accounting data.</i></p> <p>The Asset Register for the WTP was sighted. The current WTP Asset Register includes details on:</p> <ul style="list-style-type: none"> <li>▪ Asset Identification Code;</li> <li>▪ Description;</li> <li>▪ Dimensions/ type;</li> <li>▪ Construction materials/ model; and</li> <li>▪ Construction date</li> </ul> <p>The historical cost information for the assets has not been transferred to the Asset Register but is in the financial system.</p> <p>The asset location is documented in "As Constructed" drawings stored in Aquasol's office (hard copy) and electronically on the network. An asset register for the distribution mains to the sub-division, and reticulation mains and equipment within the sub-division was not provided.</p> <p>The WWTP Asset Register has been developed based on the main WWTP assets to be constructed or acquired on a staged basis. However the current sewage assets that are in place re tankering the liquid waste to the Water Corporation's treatment plant are not documented in the Asset Register for Sewage Services.</p>	<p>Aquasol should ensure that the distribution mains to the sub-division, and reticulation mains and equipment within the sub-division are documented accurately and completely in the Asset Register.</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
12/2015 C2	<p><b>Asset Maintenance – Documentation of procedures and their completion</b></p> <p><i>Maintenance policies and procedures are documented and linked to service levels required.</i></p> <p>There is a Monthly General Maintenance Plan for the Water Treatment Plant (WTP) in place. The WTP is automatic apart from some monthly maintenance to refill chemical drums, compile data logged information and undertake sampling. The Monthly General Maintenance Plan only lists the tasks to be undertaken and the performance of the tasks is reliant on the knowledge of the key personnel for example undertake water sampling, calibrate and verify chlorine readings, general maintenance to compressor etc.</p> <p>Client Service Reports are being completed by the technician undertaking the monthly routine maintenance checks, for internal records. Aquasol also utilises a Servicing and Maintenance Log Book on each project to have a record of services and maintenance conducted. Log books are filled out by authorised staff members.</p> <p>Aquasol samples the site monthly as an internal practice to confirm performance of the WTP. The reviewer sighted Lancelin - monthly sampling results spreadsheet as well as a sample of Laboratory Reports. However, there is no water sampling procedure in place.</p> <p>During a site inspection, the Construction Manager advised that apart from the monthly general maintenance the Aquasol staff also inspect the WTP on a weekly basis. However, the tasks undertaken during the weekly inspection of the plant are not documented and the performance of the tasks is reliant on</p>	<ol style="list-style-type: none"> <li>1. Aquasol should prepare a Maintenance Plan spreadsheet in accordance with section 6.2 of the Asset Management Plan (WTP) and mark if off as tasks are completed.</li> <li>2. Aquasol should ensure that the tasks undertaken during the weekly inspection of the WTP are documented, included in Aquasol's planned work program and marked off as it is completed.</li> <li>3. Aquasol should ensure that, where not self-explanatory, the routine maintenance tasks are documented in more detail and work procedures developed where required e.g. water sampling procedure etc.</li> <li>4. Aquasol should implement a procedure for checking the distribution and reticulation main systems on at least an annual basis, and the carrying out of maintenance to repair any observed fault.</li> </ol>	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 knowledge of the key personnel, although the backup maintenance staff are trained in what to do.</p> <p>There is no routine maintenance plan in place for the current stage of sewage service operation and Aquasol's Environmental Co-ordinator confirmed that no routine maintenance of sewage system assets is currently taking place apart from the checking of the sewage pit level. Although, the reviewer confirmed that the sewage pit level is being checked, this is not documented in any maintenance checklist. No information was available on procedures for checking and maintaining the distribution mains, and reticulation system within the subdivision for leaks or other damage.</p>		
13/2015 B2	<p><b>Asset Management Information System – Testing of data backups</b></p> <p><i>Data backup procedures appear adequate and backups are tested.</i></p> <p>The system is backed up daily and a copy stored offsite as part of the standard IT maintenance procedure.</p> <p>However, there was no evidence that backups are regularly tested.</p>	Aquasol should ensure that data backups are regularly tested, such as monthly, to ensure that data can be recovered.	Nil
14/2015 B2	<p><b>Risk Management - WWTP</b></p> <p><i>Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.</i></p> <p>The reviewer noted that the Risk Assessment for Sewage System was developed on the assumption that the WWTP has been already constructed and the risks associated with the current level of sewage service operation have not been considered and documented such as the failure by the waste</p>	Aquasol should consider the risks associated with the current level of sewage service, such as the failure by the waste water cartage contractor to pump out the sludge as required etc. and document the identified risks and treatment plans in the AMP for the Wastewater Treatment Services and in the WWTP Risk Register.	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
	water cartage contractor to pump out the sludge as required etc.		
15/2015 B2	<p><b>Risk Management – Keep risk register onsite</b></p> <p><i>Risks are documented in a risk register and treatment plans are actioned and monitored.</i></p> <p>Treatment plans (mitigation and contingency) have been documented in the respective Asset Management Plans and detailed Risk Registers.</p> <p>As the treatment plans are mainly based on contingencies that are part of the design of the WTP plant, backup equipment and routine checks and maintenance performed as part of the weekly site inspections and monthly routine maintenance regime, the treatment plans are being actioned and monitored as part of the daily operation and maintenance of the plant.</p> <p>However, current copies of the respective Risk Registers for Water Treatment Plant and Sewage System were not observed to be included on Aquasol's procedures file on site.</p>	Aquasol should ensure that current copies of the Risk Registers for Water Treatment Plant and Sewage System are kept on Aquasol's procedures file kept on site.	Nil
16/2015 B2	<p><b>Contingency Plan – Document and test emergency procedures</b></p> <p><i>Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.</i></p> <p>Both Asset Management Plans for potable/non potable water</p>	1. Based on the risk assessment in the AMPs, Aquasol should document the emergency procedures to cover events identified in the risk assessment as being higher risks as	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>and wastewater supply and respective Asset Registers include mitigation and management strategies. Although the treatment plans are mainly based on contingencies that are part of the design of the WTP plant, backup equipment and routine checks and maintenance performed as part of the weekly site inspections and monthly routine maintenance regime, the reliance is placed on the knowledge of key personnel to act in the emergency situations.</p> <p>All risk event "residual risk exposure" are identified as low as contingency measures have been put in place. Eg dual pumps operating in duty/standby to provide a backup where one pump fails. It is considered that the risk management strategies in place are adequate.</p> <p>The risk management planning is considered to covers all the significant risks for the WTP. The plant has alarms and backup systems that allow water to be delivered while faults are resolved. However, the contingency measures and plans have not been formally documented and relevant staff formally briefed on their operation.</p> <p>No contingency plan has been considered for the existing waste water treatment, such as for sewerage overflow form the gravity reticulation system.</p>	<p>well as sewerage overflows from the gravity reticulation system. The contingency plans should include:</p> <ul style="list-style-type: none"> <li>○ Detailed procedures</li> <li>○ Key contact details – name, number and location</li> <li>○ Communication protocols</li> <li>○ Specifications, location and availability of emergency equipment</li> <li>○ Authorities that need to be contacted and when.</li> </ul> <p>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.</p>	
17/2015 A2	<p><b>Financial Planning – Update Financial Plan</b></p> <p><i>The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.</i></p> <p>The plan is based on the sale of a significant number of lots, projected to be 660 by 2017. The financial plan relates to Aquasol's performance, with revenue subsidised by Lancelin South Pty Ltd.</p> <p>It was observed that the actual rate of lot uptake is far lower</p>	<p>The Financial Plan in the Asset Management Plans should be updated for the slower take-up of lots and the impact, if any, on the operating revenue and costs of providing the water treatment services.</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
	than the projections. This may have negative impacts on the financial capacity of Lancelin South P/L to provide ongoing funds to Aquasol to run the Water Supply and Treatment systems in accordance with the Agreement.		
18/2015 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>Both Plans have a section on Monitoring and Review Procedures. This requires Asset Management Plans to be reviewed annually and reissued when changes occur to the current systems, processes and procedures, and external review of the system every 24 months as per the licence condition. The Plan has document control (version details).</p> <p>The Asset Management Plan - Lancelin South Development Waste Water Treatment Services was due for review in May 2014 but no evidence was provided of any review.</p>	As stated in the Asset Management Plans, the Plans should be reviewed on an annual basis.	Nil

---

### 3.7 Conclusion

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

The assets are as described above with no major changes over 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 Aquasol:

- a) established an adequate control environment for ongoing compliance in respect of the asset management system with the only exception being:
  - the Asset Management Plan for Waste Water Treatment Services still refers to the former Water Services Act 1995 and the old version of the operating licence and does not reflect the most recent changes to the legislation and the new version of the operating licence issued on 18 November 2013.

The review recommended that Aquasol implement the following opportunities for improvement:

- a) update the Legislative Requirements Section of the Asset Management Plan for Waste Water Treatment Services for the changes in the legislative requirements;
- b) as planned, finalise the agreement with the Department of Health re formalising the drinking water standards;
- c) put in place a formal contract with the sewerage cartage contractor;
- d) include the distribution and reticulation mains and other equipment in the sub-division, in the Asset Register;
- e) improve the documentation of the planned maintenance activities and include maintenance of the distribution and reticulation mains;
- f) ensure that data backups are regularly tested.
- g) consider the risks associated with the current level of sewage service and document the risk and treatment plans in the risk register;
- h) keep a copy of the risk register onsite at the water treatment plant;
- i) formally document the contingency measures and plans that have been put in place, and the testing;
- j) update the financial plan for the slower take-up of lots in the sub-division than planned; and
- k) implement the planned annual reviews of the Asset Management Plans..

Overall, the plant is assessed as being in good working order and being well-maintained. There is generally an effective asset management system in place that can be enhanced by the improvements recommended in this report.

---

## Appendix A - Methodology

---

### 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 Aquasol 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 Aquasol to enable staff to prepare for the visit (and where possible, send us information prior to the site visit).

#### *Fieldwork*

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

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

### **Reporting**

- Prior to the conclusion of the site visits, the lead auditor will discuss any observations and recommendations with the licensee's management to confirm our understanding of the issues and to discuss the action to be taken.
- Provide a draft report to the Authority for review no later than two weeks before the final report is due and make any revisions necessary.
- Provide the updated draft report to the Authority for review and feedback prior to finalising the report.
- Issue the final report to the Authority.
- The Authority will contact the Aquasol 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
- Aquasol Pty Ltd – Water Services Operating Licence WL 42 – versions OL1 (5 February 2013 to 3 July 2013), OL2 (4 July 2013 to 19 September 2013), OL3 (20 September 2013 to 17 November 2013) and Version 4 (18 November 2013 onwards).
- Map of Licence Operating Area - Lancelin South Development (OWR-OA-304(B)).
- Compliance reports to the Authority – 2012/13 and 2013/14
- Performance reports to the Authority – 2012/13 and 2013/14
- Relevant correspondence with regulators (the Authority, the Department of Health and Energy and Water Ombudsman WA).

### **Scheme Information and Procedures**

- Aquasol's ERA Commitments To Follow (Based on Water Operation Licence No 42) schedule
- Customer Service Charter for Waste Water, Potable & Non Potable Water Services – Lancelin South Development (August 2014)
- Customer Complaints Procedure and Client Complaints Register
- Financial Hardship Policy
- Billing Enquiries (Review of a Bill) Procedure
- Builder's Application Package
- Resident's Information Package
- Steps to Follow – Settlement Procedure
- Aquasol's Combined General Liability Insurance Policy – Certificate of Currency
- Relevant correspondence between Aquasol and customers

### **Asset Management System**

- Asset Management Plan for Lancelin South Development Waste Water Treatment Services (May 2013)
- Asset Management Plan for Lancelin South Development Potable and Non Potable Water Supply (January 2014)

- Memorandum of Understanding between Lancelin South Pty Ltd and Aquasol Pty Ltd (30st April 2012)
- Essential Service Agreement between Lancelin South Pty Ltd and Aquasol Pty Ltd (25<sup>th</sup> September 2012)
- Liquid Waste Receival Agreement between water Corporation and Aquasol Pty Ltd and Lancelin South Pty Ltd
- Lancelin South Filtration and Reverse Osmosis System Operation and Maintenance Manual
- Asset Creation/Acquisition Policy
- Environmental Management System – Lancelin South Development
- Waste Water Treatment Plant Asset Register
- Water Treatment Plant Asset Register
- Lancelin South – Servicing & Maintenance Log Book
- A sample of Client Service Reports – Lancelin South
- Lancelin South – Monthly Water Sampling Results and water sampling records
- Safety Call Procedure
- Asset maintenance records and maintenance cost records
- Risk Register for WTP
- Risk Register for Sewage System

***Aquasol Planning and Financial Information***

- 2013 and 2014 Annual Report
- Bank Guarantee to Aquasol for operating losses guaranteed sum
- Aquasol's Water Billing records

**A3. Licensee's Representatives**

The Aquasol's primary contacts were:

- Paul Savage – Aquasol Managing Director
- Francisca Haro – Aquasol Environmental Co-ordinator
- Jared Rose – Onsite Technician

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

NAME AND POSITION	HOURS
Geoff White – Director	10
Andrea Stefkova – Assistant Manager	40
David Wills – Principal Consulting Engineer	5
Cleve Flottman – Senior Consulting Engineer	15
TOTAL	70

END OF REPORT