

Audit Report

Operational Audit & Asset
Management System Review

3604-70

Prepared for
Shire of Morawa

May 2015



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Executive Summary

General

The Shire of Morawa holds a water services operating licence (WL24) which permits it to provide sewerage services and non-potable water supply services and undertake, maintain and operate any water service works to the Shire of Morawa. The operating licence was granted by the Economic Regulation Authority (ERA) on 29 April 1996 and subsequently amended on 18 November 2013.

The Shire provides Sewerage and Non Potable Water Supply services through a 6.2km gravity reticulation system and 1.1km pressure main (one pump station and rising main), a treatment plant and an effluent re-use scheme serving 296 residential and non-residential properties or the equivalent of 883 people. The two primary and secondary treatment ponds have a storage capacity of 5,800m³ and the effluent re-use storage pond has a capacity of 7,500m³. The scheme collects and treats approximately 75,000 kL annually of residential and commercial liquid wastes and re-uses approximately 65,000 kL annually on spray irrigation of the town's ovals. Loadings are anticipated to increase due to pending mining projects.

There have been no changes to these licences or the assets since the last audit. The Authority has issued a new licence (WL24, Version 3) consistent with the Water Services Act 2012.

Audit and Review Objectives

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

This audit has been conducted in order to assess:

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

This report outlines the findings of the audit and review of the Shire of Morawa to fulfil the above objectives, conducted on 12 and 13 January 2015. The operational audit covers the period of 1 December 2011 to 30 November 2014. The asset management system review covers the period 1 December 2011 to 30 November 2014.

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

Operational Audit

Findings of the previous Operational Audit

The previous audit identified the following non-compliances:

1. Not having a fully developed and implemented Compliance Schedule (minor non-compliance).
2. Not providing the 2011 Performance Report to the Authority by the due date (minor non-compliance).

Findings of the current Operational Audit

Issues identified during the current audit:

Water Services Licensing Act 1995

1. 01/2015- Licensee has not provided one of the other two consultation mechanisms identified in Clause 4.1(b) of the Act.
2. 04/2015 - Licensee has not complied with all applicable legislation.

Water Services Act 2012

3. 03/2015 - Licensee has not complied with all of the obligations of the Water Services Code of Conduct (Customer Service Standards) 2013
4. 04/2015 - The licensee does not provide required notification of and requirements as to building work within 7 days of receiving the fee for dealing with the notification.

Water Services Code of Conduct (Customer Service Standards) 2013

5. 05/2015 - Licensee did not have all of the written information for customers about the specified matters under Section 21, section 21(2)(c) or (3)(c) and section 73 of the Act.
6. 06/2015, 07/2015 and 08/2015- Licensee does not have a formal written procedure for the review of a bill on the customer's request.
7. 09/2015 - The licensee does not have direct debit payment method to allow a customer to pay a bill.
8. 10/2015 - The Licensee's complaints procedure is not fully documented
9. 11/2015, 12/2015, 13/2015, 14/2015 - Licensee's complaints procedure does not meet the requirements of AS ISO 10002 and and Clause 35 of the Water Service Code of Conduct
10. 15/2015 – The Financial Hardship Policy was approved after the due date.
11. 16/2015 - The licensee does not make all of the prescribed (Clause 37(1) of the Code) information publicly available

Water Services Act 2012 (Licence Conditions)

12. 17/2015 - The licensee did not inform the Authority of general works as required.
13. 18/2015 - The licensee has not complied with all of the duties imposed on it, specifically the requirements of the Code of Conduct as set summarised in Obligation 11.

Summary Opinion of the Control Environment

With respect to the operation of the licenced services during the audit period, the Auditor conducted tests and assessed the control environment, the procedures, policies and performance of the Shire of Morawa and found that it had an adequate control environment to ensure that the majority of licence obligations are met and that it generally operates in accordance with the operating licence. For the non-compliances observed, we found that the controls were generally adequate. We did not observe any instances where we considered the controls in place to be inadequate. However, we note that the licensee needs to adjust a number of internal processes to better reflect the requirements of the Water Services Act 2012.

Operational Audit - Overall Compliance

The overall compliance of the Shire of Morawa with its licence is summarised in Section 4.2 of this report. 13 items were rated as non-compliant. All other items were assessed as compliant, not applicable or not able to be rated.

Asset Management System Review

Findings of the previous Asset Management System Review

The previous asset management system review recommended that the Shire:

1. Updates the Asset Management Plan for the current licence from the Authority;
2. Records in the Asset Register the condition assessment of each asset component after inspections;
3. Considers the need to de-sludge the treatment ponds;
4. Updates the risk assessment in the Asset Management Plan and the risk register;
5. Completes the development of contingency plans and annual testing;
6. Updates the replacement costs and expected life of the assets and set aside sufficient funds for their future replacement;
7. Establishes a process to review the capital investment plan annually; and
8. Reviews the Asset Management Plan more frequently, such as annually, and track changes to the Plan in the document history.

Findings of the current Asset Management System Review

The review of the Shire of Moora's asset management system identified the following recommendations during the current audit:

Reference (no./year)	Asset Management System Component	Issue	Reviewer's recommendation
19/2015	B3 Asset disposal -There is a replacement strategy for assets	Asset replacement is planned for on the basis of asset age only.	We recommend that the Shire undertake a condition assessment of its assets (all facility assets and a sample only of sewer mains) to inform its renewals planning and to identify any possible health and safety hazards.
20/2015	B3 Environmental analysis - Opportunities and threats in the system environment are assessed	There is limited evidence that the outcomes of the risk assessment inform how the Shire's assets are managed. For example, the only mitigation and management strategy noted is to inspect for blockages regularly.	We consider that the Shire should review the risk assessment to identify whether other mitigation measures, management strategies or contingencies plans are appropriate.
21/2015	B2 Environmental Analysis - Compliance with statutory and regulatory requirements	The operational audit has found that the Shire has not complied with all of its regulatory requirements.	We recommend that the Shire prepare a compliance register based on the Authority's Compliance Report Manual to assist in keeping track of its statutory and regulatory obligations. The observations table in this audit report may be used as the basis for this.
22/2015	B2 Asset operations – Operational policies and procedures are documented and linked to service levels required	Operational procedures are set out in the 'Procedures, rules and maintenance' document. This document adequately describes operations and maintenance activities for the sewerage scheme.	This document was last revised in 2009 and should be reviewed.
23/2015	B3 Asset operations - Assets are documented in an Asset Register including asset type, location, material, plans of components, an	The Shire has an asset register documenting asset type, location, material and financial information. However, asset condition is not documented. There is a separate condition and performance spreadsheet	As for 19/2015: We recommend that the Shire undertake a condition assessment of its assets (all facility assets and a sample only of sewer mains) to inform its renewals planning and to

Reference (no./year)	Asset Management System Component	Issue	Reviewer's recommendation
	assessment of assets' physical/structural condition and accounting data	with some condition information but this is out of date	identify any possible health and safety hazards.
24/2015	B2 Asset maintenance - Maintenance policies and procedures are documented and linked to service levels required	Maintenance procedures are set out in the 'Procedures, rules and maintenance' document. This document adequately describes operations and maintenance activities for the sewerage scheme.	As for 22/2015 - This document was last revised in 2009 and should be reviewed.
25/2015	C3 Asset maintenance - Regular inspections are undertaken of asset performance and condition	We noted at our site inspection that a number of assets at the pumping station appear to be close to the end of their useful life or possibly a health and safety hazard and recommend that the Shire has these assets inspected by an experienced engineer.	As for 19/2015: We recommend that the Shire undertake a condition assessment of its assets (all facility assets and a sample only of sewer mains) to inform its renewals planning and to identify any possible health and safety hazards.
26/2015	B3 Risk management - Risks are documented in a risk register and treatment plans are actioned and monitored	It appears that the risk register does not inform management of the assets, e.g. through treatment plans or contingency plans.	We recommend that the Shire updates its risk assessment to: <ul style="list-style-type: none"> ▪ Account for its new operating licence ▪ Extend the risk assessment to the effluent reuse scheme ▪ Identify the mode of failure on which the risk assessment is based Identify appropriate risk management strategies and treatment plans for high risks
27/2015	B3 Risk management - The probability and consequence of risk failure are regularly assessed	The asset risks have been determined for each individual asset (e.g. section of pipe). No failure mode has been identified. A failure mode should be identified as different failure modes will likely have different risks associated with them. Also, different failure modes will likely suggest different risk management strategies. The risk assessment has not been extended to the effluent reuse scheme.	As for recommendation 26/2015
28/2015	C3 Contingency planning- Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks	No evidence of formal contingency plans was provided at our review	The Shire should prepare and test contingency plans for its higher risks
29/2015	B3 Financial planning - The financial plan identifies the source of funds for	The financial plan does not identify sources of funds for capital expenditure and recurrent costs	The financial plan should be updated to identify the sources

Reference (no./year)	Asset Management System Component	Issue	Reviewer's recommendation
	capital expenditure and recurrent costs		of funds for capital expenditure and recurrent costs
30/2015	B3 Financial planning - The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets)	The financial plan includes long term projections for both operating and capital expenditure. However, the financial plan does not include forecasts of revenue and therefore profit/loss. It also does not include forecasts or actual movements in the sewerage reserve.	The financial plan should be revised to include projections for revenue, profit/loss and financial position.
31/2015	B3 Financial planning - The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period	Income and expenses for the sewerage scheme are accounted for under the Community Amenities cost centre. This cost centre includes other services such as waste collection. Therefore, it is not possible to separately identify income and profit/loss for the sewerage scheme. The sewerage scheme reserve fund is separately accounted for though.	As for 30/2015
32/2015	B3 Financial planning - Significant variances in actual / budget income and expenses are identified and corrective action taken where necessary	Variances to budget are detailed for the Community Amenities cost centre	We recommend that the Shire track actual expenditure for the sewerage scheme against budget in a spreadsheet
33/2015	C3 Capital expenditure planning - The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan	<p>We note the following regarding the calculated renewals annuity:</p> <ul style="list-style-type: none"> - Costs are based on a 1999 valuation and have been indexed to current values. The currency of the replacement/renewal costs should be reviewed - Replacement is based on asset age only, not condition. Condition assessment should be used to inform the renewals forecast to provide a more accurate forecast. - 3.5% is used to inflate current costs to arrive at future costs. A lower inflation rate is likely to be appropriate (in conjunction with an appropriate discount rate). 	We recommend that the Shire update its asset register and renewals forecast with: up to date replacement costs, condition data, replacement dates based on condition and appropriate inflation/discount rates.

Assessment of the Effectiveness of the Asset Management System

The Shire has in place the elements of a robust asset management system. However, the system is not as effective as it could be due to parts of the system not being maintained with up to date data and some of the more strategic planning activities not being undertaken well. For example, a condition assessment needs to be undertaken to identify immediate asset issues (including potential health and safety issues) as well as inform long term asset renewal planning and costing.

Despite the asset management system not being as effective as it could be, there is significant redundancy in the system due to its capacity, flexibility in system operation and the availability of resources such as skilled labour and parts.

We consider that the Shire needs to review important elements of the asset management system (e.g. risk assessment, contingency plans and financial plans) to meet the requirements of the Guidelines.

Asset Management System Review - Overall Effectiveness

A summary of our assessment of the effectiveness of the Shire of Morawa's Asset Management System is provided in Section 4.3. Three elements were rated a "C3". All other elements were rated "B" or better for policy and procedures and "2" or better for performance.

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1 Introduction

1.1 Background

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

The Shire of Morawa holds a water services operating licence (WL24) which permits it to provide sewerage services and non-potable water supply services and undertake, maintain and operate any water service works to the Shire of Morawa. The operating licence was granted by the Economic Regulation Authority (ERA) on 29 April 1996 and subsequently amended on 18 November 2013.

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1.2 Purpose of this Report

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

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

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

The asset management system review covers:

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

Sections 24 and 25 of the *Water Services Act 2012* obligate the licensee to provide the Authority with an operational audit conducted by an independent expert acceptable to the Authority not less than once in every

24 month period (or such longer period as the Authority allows) and provide the Authority with a report by an independent expert acceptable to the Authority as to the effectiveness of the asset management system not less than once in every 24 month period (or such longer period as the Authority allows).

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

Version 3 of the Shire of Morawa's Water Services Operating Licence WL24 was issued on 18 November 2013.

2 Audit/Review Scope

2.1 Audit/Review Objectives

The objectives of this audit were to:

1. Provide to the Authority an independent assessment of the Shire of Morawa's compliance with all of the relevant obligations under the licences
2. Provide to the Authority an independent assessment of the effectiveness of the Shire of Morawa's asset management system in relation to WL24
3. Provide recommendations to address non-compliances, if any.

2.2 Scope of Works

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

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

The scope of works of this audit included:

- ▶ Interviews with key staff members from the Shire of Morawa to:
 - Assess findings from the last audit and review the actions taken to address the recommendations from the previous audit / review
 - Assess performance against licence conditions for WL24
 - Assess performance against each asset management process for WL24.
- ▶ Reviews of documents, procedures and policy manuals in relation to financial management and planning, service performance standards, asset management, operations and maintenance functions and reporting
- ▶ Testing and assessment to determine whether the procedures and policies are followed and determine its effectiveness
- ▶ Preparation of an audit report in accordance with the format outlined in the ERA Audit and Review Guidelines: Water Licences (July 2014).

2.2.1 Operational Audit

The operating licence audit focussed on the following key areas:

- ▶ Clause 4: Fees
- ▶ Clause 5: Compliance with Applicable Legislation
- ▶ Clause 12: Accounting Records
- ▶ Clause 13: Individual Performance Standards

- ▶ Clause 14: Operational Audit
- ▶ Clause 15: Reporting change in circumstances
- ▶ Clause 16: Provision of Information
- ▶ Clause 17: Publishing Information
- ▶ Clause 18: Notices
- ▶ Clause 20: Asset Management System
- ▶ Clause 21: Water Services Ombudsman Scheme
- ▶ Clause 22: Standard Terms and Conditions of Service
- ▶ Clause 23: Customer Contract
- ▶ Clause 24: Non Standard Terms and Conditions of Service
- ▶ Clause 25: Supplier of Last Resort
- ▶ Clause 26: Duties of the Licensee
- ▶ Clause 27: Provision of Water Services
- ▶ Clause 28: Provision of Water Services Outside Operating Area
- ▶ Clause 29: Works Holding Arrangements
- ▶ Clause 30: Hardship Policy
- ▶ Clause 31: Memorandum of Understanding

2.2.2 Asset Management System Review

The Asset management system review included an assessment of the asset management system implemented by the Shire of Morawa and covered the following key areas:

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

2.3 Methodology and Approach

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

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

Our methodology for completing this audit assignment was based on:

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

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

Table 2-1 Licence Audit Methodology

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

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

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

Table 2-2 Asset Management Review Methodology

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

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

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

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

2.4 Time Period Covered by the Audit/Review

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

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

2.5 Time Period of the Audit/Review Process

The audit/review commenced in October 2014 with preparation of the draft Audit Plan. Interviews with the Shire of Morawa's staff were carried out on 12 and 13 January 2015 at the Shire Office in Winfield Street, Morawa, Western Australia.

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

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

Table 2-3 Details of Licensee Representatives

Name	Organisation	Role
John Roberts	Shire of Morawa	Chief Executive Officer (CEO)
John Elliott	Shire of Morawa	Project Officer
Fred Williams	Shire of Morawa	Manager of Finance and Accounting
Paul Buist	Shire of Morawa	Principal Works Supervisor

2.7 Details of Key Documents and Other Information Sources

- ▶ Shire of Morawa Operating Licence – WL24, Version 2, 15 May 2009
- ▶ Shire of Morawa Water Services Operating Licence – WL24, Version 3, 18 November 2013
- ▶ Quantum Assurance, Shire of Morawa Operational Audit and Asset Management System Review, Final Report, February 2012
- ▶ Shire of Morawa Customer Service Charter for Morawa Wastewater Service. Reviewed June 2013
- ▶ Shire of Morawa Customer Service Charter for Morawa Wastewater Service. Reviewed June 2011
- ▶ Advertisement inviting comment on Shire of Morawa Customer Service Charter, June 2014
- ▶ Shire of Morawa Financial Hardship Policy for Water Service/Rateable Land, February 2014
- ▶ Letter to ERA from Shire of Morawa dated 24 February 2014 seeking approval of Shire of Morawa Financial Hardship Policy
- ▶ Letter to Shire of Morawa from Rural Financial Counselling Service dated 21 January 2014 providing feedback on Shire of Morawa Financial Hardship Policy.
- ▶ Shire of Morawa Asset Management Plan for Sewerage and Effluent Reuse Scheme Assets, Updated 10 September 2014
- ▶ Drawings for Shire of Morawa Sewerage Scheme (multiple PDFs and hard copies viewed at Shire Office)
- ▶ Complaints Registers –2011, 2012, 2013 and 2014
- ▶ Multiple spreadsheets with sewage treatment plant sampling results
- ▶ Sewerage scheme planned works program 2014/15

- ▶ Annual Report from Shire of Morawa to Department of Environment and Conservation for 2014
- ▶ Department of Environment and Conservation annual audits for 2012, 2013 and 2014
- ▶ Asset register spreadsheet
- ▶ Condition and performance monitoring spreadsheet
- ▶ Financial plan spreadsheet
- ▶ Inventory control spreadsheet
- ▶ Maintenance management spreadsheet
- ▶ Risk assessment spreadsheet
- ▶ Shire of Morawa Budget for 2014/15
- ▶ Mid-West Group of Council (Mingenew, Morawa, Perenjori, Three Springs) Asset Management Business Plan, August 2010

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

The audit/review team comprised two staff members from Cardno.

Details of their roles and hours utilised in the audit/review process are provided in the table below.

Table 2-4 Details of Audit / Review Team Members

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

3 Licensee’s Response to Previous Recommendations

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

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

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

Table 3-1 Previous Audit Non-compliances and Recommendations

A. Resolved before end of previous Audit period				
Reference (no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor’s recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
B. Resolved during current Audit period				
Reference (no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor’s recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable

B. Resolved during current Audit period

1.1	<p>Compliance Schedule</p> <p>The previous audit noted the following:</p> <ul style="list-style-type: none"> ▪ The Compliance Schedule recommended in the previous audit has been set up in the Deputy CEO's Outlook calendar. It includes key activities and dates to meet obligations for asset management system reviews, reporting and audits required by the licence. <p>Activities and due dates are recorded in the Deputy CEO's Outlook calendar but this is not accessible by other staff members.</p>	<p>The previous audit recommended the following:</p> <ul style="list-style-type: none"> ▪ Arrange for the compliance schedule of dates in the Deputy CEO's Outlook calendar to be accessible by other Shire officers (eg shared calendar in Outlook). <p>The Shire noted the following:</p> <ul style="list-style-type: none"> ▪ Arrange for other staff to access the calendar in DCEO absence. <p>The action was the responsibility of the Deputy Chief Executive Officer (DCEO).</p> <p>Our audit found that the Deputy Chief Executive Officer position is vacant and therefore reporting responsibilities now lie with the Project Officer. The licensee has met its reporting commitments in the audit period.</p>	May 2012	No
1.2	<p>Information Reporting to the Authority</p> <p>In accordance with the Water Compliance Reporting Manual May 2011, the Shire is required to submit to the Authority:</p> <ul style="list-style-type: none"> ▪ Annual performance reports no later than 31 July for the reporting year ending 30 June; and ▪ Annual compliance reports by 31 August for the year ending 30 June. <p>The previous audit reviewed the Shire's Compliance and Performance Reports for the years ending 30 June 2009, 2010 and 2011 and the Authority and noted one exception:</p> <ul style="list-style-type: none"> ▪ The Performance Report for the year ended 30 June 2011 was submitted in August 2011 (after the due date). <p>An explanation of the source of information for the performance and compliance reporting should also be documented.</p>	<p>The previous audit recommended the following:</p> <ol style="list-style-type: none"> 1. a) Ensure that all future Performance and Compliance Reports are submitted to the Authority within the timeframes required. 2. b) Create documentation explaining how to source the information for the annual performance and compliance reporting. <p>The Shire noted the following:</p> <ul style="list-style-type: none"> ▪ Schedule dates in Outlook calendar for completion of performance reports in May of each year for the next 3 years to align with the next audit. ▪ Schedule dates in Outlook calendar for completion of compliance reports in July of each year for the next 3 years to align with the next audit. <p>The actions were the responsibility of the DCEO.</p> <p>Our audit found that the Deputy Chief Executive Officer position is vacant and therefore reporting</p>	May 2012	No

B. Resolved during current Audit period

The timely submission of reports is covered by action 1.1 above.	responsibilities now lie with the Project Officer. The licensee has met its reporting commitments in the audit period.
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C. Unresolved at end of current Audit period

Reference (no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
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Table 3-2 Previous Review Ineffective Components Recommendations

A. Resolved before end of previous review period

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

Reference (no./year)	(Asset management effectiveness rating / Asset Management System Component & Criteria / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
2.1	<p>Asset Disposal Under-utilised and under-performing assets should be identified as part of a regular systematic review process.</p> <p>The previous review noted the following:</p> <ul style="list-style-type: none"> ▪ An Asset Register was sighted. However, the Asset Register is not updated to accurately reflect the condition of individual components of the system. 	<p>The previous review recommended the following:</p> <ul style="list-style-type: none"> ▪ Record in the Asset Register, the condition of each asset component of the scheme based on inspections carried out. <p>The Shire noted the following:</p> <ul style="list-style-type: none"> ▪ Update asset register to reflect auditor's comments. <p>The action was the responsibility of the DCEO.</p>	November 2012	No
2.2	<p>Environmental Analysis The previous review noted the following:</p> <ul style="list-style-type: none"> ▪ Section 2.3 of the AMP outlines the legislative requirements. The licence requirements refer to the previous licence from the Authority (IL/24 Version 4) and need to be updated for the current licence issued in May 2009. 	<p>The previous review recommended the following:</p> <ul style="list-style-type: none"> ▪ Update the Asset Management Plan for the requirements of the current operating licence (May 2009) from the Authority. <p>The Shire noted the following:</p> <ul style="list-style-type: none"> ▪ Asset Management plan to be updated when WWTP upgrades have been completed <p>The action was the responsibility of the DCEO.</p>	August 2012	No
2.3	<p>Asset Maintenance The previous review noted the following:</p> <ul style="list-style-type: none"> ▪ Maintenance is regularly performed on assets in accordance with the Shire of Morawa Sewerage Scheme Planned Work Program. ▪ The pipe system seems well maintained but the wastewater treatment plant has only had basic 	<p>The previous review recommended the following:</p> <ul style="list-style-type: none"> ▪ Consider the need to de-sludge the wastewater treatment ponds prior to the winter season. <p>The Shire noted the following:</p>	June 2012	No

B. Resolved during current review period

	<p>maintenance. The ponds have not been de-sludged since they were commissioned in the late 1990's, resulting in quite a bit of sludge build-up, necessitating imminent cleaning of the lagoons.</p>	<ul style="list-style-type: none"> Source scope of works to de-sludge the wastewater treatment ponds prior to the winter season. 		
		The action was the responsibility of the DCEO.		
2.4	<p>Risk Assessment</p> <p>The risk management policies, process and management strategies are described in the Asset Management Plan.</p> <p>The previous review noted the following:</p> <ul style="list-style-type: none"> The increasing demand on the scheme and the recent report on the wastewater treatment strategy that recommends capital upgrades indicate that the risk assessment needs to be reviewed and updated since it was updated in 2010. 	<p>The previous review recommended the following:</p> <ul style="list-style-type: none"> Update the risk assessment in the Asset Management Plan and the detailed risk register for any changes since 2010 and for the upgrade of the scheme that is currently being considered. <p>The Shire noted the following:</p> <ul style="list-style-type: none"> Update the risk assessment in the Asset Management Plan and the detailed risk register for any changes since 2010 and for the upgrade of the scheme when scope of works completed 	May 2013	No
		The action was the responsibility of the DCEO.		
2.5	<p>Contingency Plans</p> <p>Contingency plans should be documented, understood and tested to confirm their operability and to cover higher risks.</p> <p>The previous review noted the following:</p> <ul style="list-style-type: none"> Management strategies have been included in the AMP but these are over-reliant on individual knowledge. The Shire's Works Supervisor, Deputy CEO/EHO or the CEO are nominated in the AMP to respond to emergencies. Contingency plans need to be clear enough for someone not directly involved in the day to day operations to be able to successfully action the plan. <p>The contingency plans have not been tested.</p>	<p>The previous review recommended the following:</p> <ul style="list-style-type: none"> Develop detailed contingency plans documenting the steps needed to deal with an unexpected failure of a system or process. Conduct testing of the contingency plans, such as annually. <p>The Shire noted the following:</p> <ul style="list-style-type: none"> Will detail contingency plans documenting the steps needed to deal with an unexpected failure of a system or process. Testing of the contingency plans, such as annually, to be arranged with the Principal Works Supervisor. 	September 2012	Yes. Refer recommendation 19/2015
		The action was the responsibility of the DCEO.		

B. Resolved during current review period

2.6	<p>Financial Planning</p> <p>The previous review noted the following:</p> <ul style="list-style-type: none"> ▪ The Shire maintains a Wastewater Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Morawa Sewerage Scheme. The balance of the reserve of \$63,000 at 30 June 2011 is insufficient to provide for the replacement of the sewerage scheme assets. ▪ The Asset Management Plan (2007) recommended an annuity of \$91,546 based on 2006 replacement value of \$2.7 million. In addition, the recent report on the wastewater treatment strategy recommends the construction of a new primary pond, de-sludging of existing ponds and construction of a new overflow dam at an estimated cost of \$2.9m (preliminary cost only and is stated as +/- 50%). 	<p>The previous review recommended the following:</p> <ul style="list-style-type: none"> ▪ The replacement costs and expected life of assets need to be updated to current replacement costs and adequate funds set aside to provide for the future replacement of the assets and any asset upgrades. <p>The Shire noted the following:</p> <ul style="list-style-type: none"> ▪ Recommend to Council the need to continue with annual annuity of \$91,546 to assist with asset replacement programme. <p>The action was the responsibility of the DCEO.</p>	June 2012	Yes. Refer recommendation 23/2015
2.7	<p>Capital Expenditure Planning</p> <p>There should be an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.</p> <p>The previous review noted the following:</p> <ul style="list-style-type: none"> ▪ There has not been an adequate process to ensure that the capital expenditure plan is regularly updated and actioned. There have been no updates of the replacement costs or expected life or condition of the assets since the Asset Management Plan was developed in 2007. 	<p>The previous review recommended the following:</p> <ul style="list-style-type: none"> ▪ A process needs to be established to review and update the capital expenditure plan in the Asset Management Plan, such as annual review and update for any major changes. <p>The Shire noted the following:</p> <ul style="list-style-type: none"> ▪ Continue with plans to source funding through Super-town programme to provide capital expenditure for the replacement costs or expected life or condition of the assets since the Asset Management Plan was developed in 2007. <p>The action was the responsibility of the DCEO.</p>	August 2012	No
2.8	<p>Review of Asset Management System</p> <p>The previous review noted the following:</p> <ul style="list-style-type: none"> ▪ During the audit period, the Shire has reviewed the Asset Management Plan (AMP) and made minor updates in June 2009. The audit confirmed with the Shire's Deputy CEO that apart from the updated AMP, there were no material changes 	<p>The previous review recommended the following:</p> <ol style="list-style-type: none"> 1. The Asset Management Plan should be reviewed in more frequent intervals i.e. annually and reissued when changes occur. Accompanying spreadsheets should be updated during the year as required and revised annually. 	December 2012	No

B. Resolved during current review period

- made to the asset management system that would require notification to the Authority.
 - The back page of the AMP contains “Document Status” table that outlines the revision number, the author, the reviewer, and who approved the AMP for issue and when. The table notes that the AMP was approved for issue on 31/01/07, however, on the front page the date of the AMP is 17 June 2009. The document status has not been updated. Moreover, the users of the AMP would benefit from a brief description of changes to the document from the previous version.
 - The Monitoring and Review Procedures in the AMP suggest review of the AMP in five yearly intervals and the maintenance and capital investment plans shall be revised annually. The “Document Status” table does not provide for recording details about routine reviews of the document that do not escalate into the reissue of the AMP.
2. Keep track of all reviews of the Asset Management Plan. Include a Document History section that includes the date of the review or update of the document, person who performed it and brief description of the changes to the document from the previous version (including annual review even if no changes and the five yearly re-issue).
- The Shire noted the following:
- Initiate Asset Management Plan reviews in more frequent intervals i.e. annually and reissued when changes occur. Accompanying spread sheets should be updated during the year as required and revised annually on completion of upgrades.
- The action was the responsibility of the DCEO.

C. Unresolved at end of current review period

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

4 Performance Summary

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

4.1 Assessment Rating Scales

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

Table 4-1 Audit Compliance and Controls Rating Scales

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

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

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

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

Table 4-3 Asset Management Performance Ratings

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

4.2 Operational Audit Compliance Summary

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

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

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

Table 4-4 Audit Obligation Ratings

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

Compliance Obligation Ref No. (2014 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating						
			A	B	C	D	NP	1	2	3	4	Na	Nr	
2012/14	Schedule 3 Clause 3.2 (d)	4					N/A							✓
2012/16	Schedule 3 Clause 3.10	4					✓	✓						
2012/17	Schedule 3 Clause 3.6	4					✓							✓
2012/18	Schedule 3 Clause 3.7	4					✓							✓
2012/19	Clause 7.1	4					✓	✓						
2012/20	Schedule 3 Clause 2.5	4					✓	✓						
2012/21	Schedule 3 Clause 2.6 or 2.7	5					✓	✓						
2012/22	Schedule 3 Clause 2.7 or 2.8	4					✓	✓						
2012/23	Schedule 3 Clause 4	4					✓		✓					
2012/24	Schedule 3 Clause 4.1	4					✓		✓					
2012/25	Schedule 3 Clause 4.2	4					✓	✓						
2012/26	Schedule 3 Clause 4.3	4					✓							✓
2012/28	Schedule 3 Clause 4.5 Sewerage licensee	N/a					✓							✓
2012/29	Schedule 3 Clause 4.6 LGA sewerage providers	4					✓	✓						
2012/32	Schedule 3 Clause 6	4					✓							✓
2012-	Schedule 6 Clause 2.1	4					✓	✓						
2012-	Schedule 6 Clause 2.2	4					✓	✓						
2012-	Schedule 6 Clause 2.3	4					✓							✓
Fees (Clause 4)														
155	Clause 4	5					✓							✓
Compliance (Clause 5)														
156	Clause 5.1	4		✓						✓				
Water Services Act 2012														
10	Clause 5.2	4						N/A						✓
11	Clause 5.3	4		✓						✓				
159	Clause 5.4	4						N/A						✓
13	Section 36	4					✓							✓
16	Section 77(3)	4					✓	✓						

Compliance Obligation Ref No. (2014 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating							
			A	B	C	D	NP	1	2	3	4	Na	Nr		
17	Sections 82(4) & (5)	4		✓						✓					
18	Section 84(2)	4						✓							✓
19	Section 87(2)	4						✓							✓
20	Section 90(7)	4						✓							✓
21	Section 95(3)	4						N/A						✓	
22	Section 96(1)	4						N/A						✓	
23	Section 96(5)	5						N/A						✓	
24	Section 98(3)	4						✓							✓
25	Section 106(2)	4						N/A						✓	
28	Section 119(2)	4						✓							✓
29	Section 122(2)	4						✓							✓
30	Section 125(2)	4						N/A						✓	
31	Section 128(4)	4						✓							✓
32	Section 129(5)	4						✓		✓					
33	Section 139(3)	4						✓		✓					
34	Section 141(1)	4						✓		✓					
35	Sections 142	4						✓							✓
36	Sections 143 (2)	4						✓							✓
37	Sections 143 (3)	5						✓							✓
38	Sections 144(3)	4						✓							✓
39	Section 145(2)	5						✓							✓
40	Section 147(3)	4						✓							✓
41	Section 147(4)	4						✓							✓
42	Section 151(1)	4						✓		✓					
43	Section 151(2)	4						N/A						✓	
44	Section 152(3)	4						✓							✓
45	Section 153(3)	4						✓							✓
46	Section 166(5)	4						✓							✓
47	Section 166(6)	4						✓							✓
48	Section 170	4						✓							✓
49	Section 173(4)	4						✓							✓
50	Section 174(1)	4						✓							✓

Compliance Obligation Ref No. (2014 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating							
			A	B	C	D	NP	1	2	3	4	Na	Nr		
51	Section 174(3)	4					✓								✓
52	Section 175(2)	4					✓								✓
53	Section 175(5)	4					✓								✓
54	Section 176(1)	4					✓								✓
55	Section 176(3)	4					✓								✓
56	Section 176(4)	4					✓								✓
57	Section 181	5					✓								✓
58	Section 186	4					✓								✓
59	Section 187(1) – (3)	4					✓								✓
60	Section 190(4)	4					✓								✓
61	Section 190(5)	4					✓								✓
62	Section 210(5)	4					✓								✓
63	Section 218(2)	5					✓								✓
64	Section 218(3)	4					✓								✓
Water Services Regulations 2013															
74	Regulation 60(2)	4					✓								✓
75	Regulation 63	4					✓		✓						
89	Regulation 85	4					✓								✓
157	Clause 5.2	4						N/A							✓
158	Clause 5.3	4		✓						✓					
Water Services Code of Conduct (Customer Service Standards) 2013															
92	Clause 7	4		✓						✓					
93	Clause 8	4						N/A							✓
94	Clause 9	4						✓		✓					
95	Clauses 10(2)	4						N/A							✓
96	Clauses 10(3)	4						N/A							✓
97	Clause 10(4)	4						N/A							✓
98	Clause 10(5)	4						N/A							✓
99	Clause 11	4						✓		✓					
103	Clause 13(1)	4						N/A							✓

Compliance Obligation Ref No. (2014 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating							
			A	B	C	D	NP	1	2	3	4	Na	Nr		
104	Clause 13(2)	4					N/A								✓
105	Clause 14(1)	4					N/A								✓
106	Clause 15	4					N/A								✓
107	Clause 16(2)	4					✓								✓
108	Clause 16(3)	4					✓								✓
109	Clause 16(4)	4					✓								✓
110	Clause 16(5)	4					✓								✓
111	Clause 17(1)	4					✓								✓
112	Clause 17(2)	4					✓								✓
113	Clause 18(1)	4					✓		✓						
114	Clause 18(2)	4		✓						✓					
115	Clauses 18(3) & (6)	4		✓						✓					
116	Clause 18(4)	4		✓						✓					
117	Clause 18(5)	4						✓		✓					
118	Clause 20	4						✓		✓					
119	Clause 21(1)	4		✓							✓				
120	Clause 21(2)	4						✓		✓					
121	Clause 22	4						✓							✓
122	Clause 23(1)	4						✓		✓					
123	Clause 24	4						✓		✓					
124	Clause 25	4						✓		✓					
125	Clauses 26(1) & (2)	4						✓		✓					
126	Clause 26(3)	4		✓							✓				
127	Clause 26(4)	4						N/A							✓
128	Clause 26(5)	4						✓		✓					
129	Clauses 26(6)	4						✓							✓
130	Clause 27(2)	4						✓		✓					
131	Clause 27(3)	4						✓		✓					
132	Clause 28(1)	4						✓		✓					
133	Clauses 28(4) & (5)	4						✓		✓					
134	Clause 29	4						✓		✓					
139	Clause 33	4						N/A							✓

Compliance Obligation Ref No. (2014 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating						
			A	B	C	D	NP	1	2	3	4	Na	Nr	
142	Clauses 34(4)	4					N/A							✓
144	Clauses 34(6)	4					N/A							✓
145	Clauses 35(1)	4		✓									✓	
146	Clause 35(2)	4		✓									✓	
147	Clauses 35(3)	4		✓									✓	
148	Clauses 35(4)	4		✓									✓	
149	Clauses 35(6)	4		✓									✓	
150	Clause 36(1)	4						✓	✓					
152	Clause 36(2)	4						✓	✓					
153	Clause 37(1)	4		✓						✓				
Water Services Act 2012														
Accounting Records (Clause 12)														
160	Section 12	5						✓	✓					
Individual Performance Standards (Clause 13)														
161	Section 12	4						N/A						✓
Operational Audit (Clause 14)														
9	Section 25	5						✓	✓					
162	Section 12	4						✓	✓					
Reporting a Change in Circumstance (Clause 15)														
163	Section 12	4						✓						✓
164	Section 12	4		✓						✓				
Provision of Information (Clause 16)														
165	Section 12	4						✓	✓					
166	Section 12	4						✓	✓					
167	Section 12	3						✓	✓					
Publishing Information (Clause 17)														
168	Section 12	4						✓						✓
Notices (Clause 18)														

Compliance Obligation Ref No. (2014 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating						
			A	B	C	D	NP	1	2	3	4	Na	Nr	
169	Section 12	4					✓	✓						
	Asset Management System (Clause 20)													
170	Section 12	4					N/A						✓	
171	Section 12	5					✓							✓
172	Section 12	4					✓	✓						
6	Sections 24(1)(a) & 24(2)	4					✓	✓						
7	Section 24(1)(b)	5					N/A						✓	
8	Section 24(1)(c)	5					✓	✓						
	Water Services Ombudsman Scheme (Clause 21)													
173	Section 12	4					✓	✓						
15	Section 66	4					✓	✓						
	Standard Terms & Conditions of Service (Clause 22)													
174	Section 12	4					N/A						✓	
	Customer Contract (Clause 23)													
175	Section 12	5					✓							✓
176	Section 12	5					✓							✓
177	Section 12	5					✓							✓
178	Section 12	5					✓							✓
	Non Standard Terms & Conditions of Service (Clause 24)													
179	Section 12	4					✓	✓						
180	Section 12	4					N/A						✓	
	Supplier of Last Resort (Clause 25)													
181	Section 12	4					N/A						✓	
14	Section 60	4					N/A						✓	
	Duties of the licensee (Clause 26)													
12	Section 29	4		✓						✓				

Compliance Obligation Ref No. (2014 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating						
			A	B	C	D	NP	1	2	3	4	Na	Nr	
Provision of Water Services (Clause 27)														
1	Section 21(1)(a)	5					✓	✓						
2	Section 21(1)(b)	4					✓	✓						
3	Section 21(1)(c)	4					✓	✓						
Provision of Water Services Outside Operating Area (Clause 28)														
182	Section 12	4					✓						✓	
4	Section 22	4					✓						✓	
Works Holding Arrangements (Clause 29)														
5	Section 23	4					✓	✓						
Hardship Policy (Clause 30)														
183	Section 12	4					✓	✓						
Memorandum of Understanding (Clause 31)														
184	Section 12	N/A						N/A					✓	
185	Section 12	N/A						N/A					✓	
186	Section 12	N/A						N/A					✓	
Performance Standards (Schedule 3)														
190	Section 9	N/A						N/A					✓	

4.3 Asset Management System effectiveness summary

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

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

Table 4-5 Asset Management System effectiveness summary

Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
Asset planning	B	2

Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
▪ Asset management plan covers key requirements	A	1
▪ Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning	A	2
▪ Service levels are defined	A	2
▪ Non-asset options (e.g. demand management) are considered	B	2
▪ Lifecycle costs of owning and operating assets are assessed	NA	NA
▪ Funding options are evaluated	NA	NA
▪ Costs are justified and cost drivers identified	B	2
▪ Likelihood and consequences of asset failure are predicted	B	2
▪ Plans are regularly reviewed and updated	A	1
Asset creation/acquisition	NA	NA
▪ Full project evaluations are undertaken for new assets	NA	NA
▪ Evaluations include all life-cycle costs	NA	NA
▪ Projects reflect sound engineering and business decisions	NA	NA
▪ Commissioning tests are documented and completed	NA	NA
▪ Ongoing legal / environmental / safety obligations of the asset owner are assigned and understood	NA	NA
Asset disposal	NA	NA
▪ Under-utilised and under-performing assets are identified as part of a regular systematic review process	B	2
▪ The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken	NA	NA
▪ Disposal alternatives are evaluated	NA	NA
▪ There is a replacement strategy for assets	B	3
Environmental analysis	B	2
▪ Opportunities and threats in the system environment are assessed	B	3
▪ Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved	A	2
▪ Compliance with statutory and regulatory requirements	B	2
▪ Achievement of customer service levels	B	2
Asset operations	B	2
▪ Operational policies and procedures are documented and linked to service levels required	B	2
▪ Risk management is applied to prioritise operations tasks	B	2
▪ Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data	B	3
▪ Operational costs are measured and monitored	B	2
▪ Staff resources are adequate and staff receive training commensurate with their responsibilities	B	2
Asset maintenance	B	3

Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
▪ Maintenance policies and procedures are documented and linked to service levels required	B	2
▪ Regular inspections are undertaken of asset performance and condition	C	3
▪ Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule	B	2
▪ Failures are analysed and operational / maintenance plans adjusted where necessary	B	2
▪ Risk management is applied to prioritise maintenance tasks	B	2
▪ Maintenance costs are measured and monitored	B	2
Asset management information system	A	2
▪ Adequate system documentation for users and IT operators	A	2
▪ Input controls include appropriate verification and validation of data entered into the system	B	2
▪ Logical security access controls appear adequate, such as passwords	A	2
▪ Physical security access controls appear adequate	A	2
▪ Data backup procedures appear adequate and backups are tested	A	2
▪ Key computations related to licensee performance reporting are materially accurate	B	2
▪ Management reports appear adequate for the licensee to monitor licence obligations	A	2
Risk management	B	3
▪ Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system	B	2
▪ Risks are documented in a risk register and treatment plans are actioned and monitored	B	3
▪ The probability and consequence of risk failure are regularly assessed	B	3
Contingency planning	C	3
▪ Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks	C	3
Financial planning	B	3
▪ The financial plan states the financial objectives and strategies and actions to achieve the objectives	B	2
▪ The financial plan identifies the source of funds for capital expenditure and recurrent costs	B	3
▪ The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets)	B	3
▪ The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period	B	3
▪ The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services	B	2

Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
<ul style="list-style-type: none"> ▪ Significant variances in actual / budget income and expenses are identified and corrective action taken where necessary 	B	3
Capital expenditure planning	B	2
<ul style="list-style-type: none"> ▪ There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates 	B	2
<ul style="list-style-type: none"> ▪ The plan provides reasons for capital expenditure and timing of expenditure 	B	2
<ul style="list-style-type: none"> ▪ The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan 	C	3
<ul style="list-style-type: none"> ▪ There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned 	B	2
Review of AMS	A	2
<ul style="list-style-type: none"> ▪ A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current 	A	2
<ul style="list-style-type: none"> ▪ Independent reviews (e.g., internal audit) are performed of the asset management system 	A	2

5 Observations

5.1 Operational Audit

The findings from the operational audit are summarised in Table 5-1.

Table 5-1 Performance Audit Observations

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
Water Services Licensing Act 1995						
<p>The Licensee must comply with the service and performance standards as set out in Schedule 4. These are:</p> <p>1.1 <u>Emergency response</u></p> <p>The licensee shall provide an emergency telephone advice system such that customers need make only one telephone call to report an emergency and that the customer shall be advised of the nature and timing of the action to be undertaken by the licensee.</p> <p>Target:</p> <p>90% of customers within 1 hour of reporting an emergency shall be advised of the nature and timing of the action to be undertaken by the licensee.</p> <p>2.1 Customer complaints</p> <p>The licensee shall respond to customer complaints in accordance with the licence standard</p> <p>Target:</p> <p>90% of customer complaints resolved within 15 business days.</p>	2012/7	Clause 20.1	2	<p><u>Emergency response</u></p> <ul style="list-style-type: none"> ▪ The licensee maintains a 24hr emergency contact service. The contact numbers are detailed in the Customer Service Charter. The contact numbers include the CEO's mobile telephone number. ▪ Contact details for the Shire office are located on the Shire's website. However, these are for office hours only. ▪ The licensee does not maintain a register for tracking the details of emergency telephone calls (e.g. time received, nature of the issue, actions to be taken and time customer advised of actions) or other system for formally monitoring this performance standard. ▪ However, the licensee reports that it did not receive any emergency calls relating to its water service during the audit period. Therefore it has complied with this standard by default. <p><u>Customer complaints</u></p>	<ul style="list-style-type: none"> ▪ Interviews with license staff ▪ Customer Service Charter ▪ Annual Performance Reports (2011, 2012, 2013) 	1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
<p>3.1 Continuity and overflows</p> <p>3.1(a) The number of sewer blockages per 100km of sewer mains.</p> <p>Target:</p> <p>In the preceding 12 months there were fewer than 40 blockages per 100km of sewer main</p> <p>3.1(b) Percentage of connected properties experiencing a wastewater overflow.</p> <p>Target:</p> <p>In the preceding 12 month period 90% of customers receive the standard for the licensee's schemes.</p>				<ul style="list-style-type: none"> ▪ Section 2.9 of the licensee's Customer Service Charter sets out the complaints process. ▪ Complaints may be made in writing, by telephone, in person at the Shire service centre and also via a web form on the Shire's website ▪ The Shire maintains a register for tracking complaints related to its water services ▪ No complaints have been received during the audit period. Therefore, the licensee has complied with this performance standard by default. <p><u>Continuity and overflows</u></p> <ul style="list-style-type: none"> ▪ We reviewed the licensee's performance reports for 2011/12, 2012/13 and 2013/14 and observed that the licensee has not recorded any sewer breaks or chokes <p>There were no overflows to connected properties during the audit period. Therefore, the licensee has complied with this performance standard.</p>		
<p>The licensee must establish a customer complaints process as set out in Schedule 3.</p>	2012/9	Clause 6.1	4	<ul style="list-style-type: none"> ▪ Section 2.9 of the licensee's Customer Service Charter sets out the complaints process. ▪ Complaints may be made in writing, by telephone, in person at the Shire service centre and also via a web form on the Shire's website ▪ The Shire maintains a register for tracking complaints related to its water services ▪ No complaints have been received during the audit period 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Review of Customer Service Charter ▪ Review of sewerage scheme complaints registers 2011, 2012, 2013 and 2014 ▪ Review of the Shire's website 	1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
The licensee must resolve customer complaints within 15 business days of the receipt of complaint or for matters to be considered by a Local Government Council within 5 business days after the first ordinary Council meeting following the 15 business day period.	2012/11	Schedule 3 Clause 3.8	4	<ul style="list-style-type: none"> No complaints have been recorded by the licensee within the audit period. Therefore, this obligation cannot be rated 	<ul style="list-style-type: none"> Interviews with licensee staff Review of sewerage scheme complaints registers 2011, 2012, 2013 and 2014 	NR
The licensee must provide one trained staff who is authorised or has access to another officer who is authorised to make necessary decisions to respond to complaints.	2012/13	Schedule 3 Clause 3.9 (b)	5	<ul style="list-style-type: none"> The Shire CEO is authorised to make decisions to respond to complaints 	<ul style="list-style-type: none"> Interviews with licensee staff 	1
The licensee must provide an appropriate system to monitor and record the number, nature of and outcomes to complaints.	2012/14	Schedule 3 Clause 3.2 (d)	4	<ul style="list-style-type: none"> This obligation is not applicable as Clause 3.2 is not included in the licensee's previous licence. 		NA
The licensee must inform the customer of the option to refer a disputed complaint to the Department of Water unless the complaint is a matter that relates to section 3.22 of the Local Government Act 1995.	2012/16	Schedule 3 Clause 3.10	4	<ul style="list-style-type: none"> Section 2.9 of the licensee's Customer Service Charter informs customers that a disputed complaint may be referred to the Department of Water As no complaints relating to the water service have been received in the audit period it is not possible to test other ways that the licensee may inform customers. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Customer Service Charter Review of sewerage scheme complaints registers 2011, 2012, 2013 and 2014 	1
The licensee must co-operate with the Department of Water's request for information concerning a disputed complaint.	2012/17	Schedule 3 Clause 3.6	4	<ul style="list-style-type: none"> There have been no disputed complaints referred to the Department of Water during the audit period. Therefore, this obligation is not able to be rated. 		NR
The licensee must, on request, provide complaints details to the Department of Water.	2012/18	Schedule 3 Clause 3.7	4	<ul style="list-style-type: none"> There have been no disputed complaints referred to the Department of Water during the audit period. Therefore, this obligation is not able to be rated. 		NR

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
The licensee must establish a Customer Service Charter as set out in Schedule 3.	2012/19	Clause 7.1	4	<ul style="list-style-type: none"> A Customer Service Charter has been prepared in accordance with the ERA's guidelines. The current version of the Customer Service Charter was revised in June 2013. The version before this was revised in June 2011 and approved by the Authority on 29 July 2011. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Customer Service Charter 	1
<p>The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence.</p> <p>(a) By prominently displaying it in those parts of the licensee's offices to which customers regularly have access</p> <p>(b) By providing a copy, upon request, and at no charge, to the customer; and</p> <p>By sending a current copy, or a summary document approved by the Authority, to all customers at least once in every three year period or as agreed with the Authority.</p>	2012/20	Schedule 3 Clause 2.5	4	<ul style="list-style-type: none"> The Customer Service Charter was not displayed in the Shire's reception at the time of the audit. However, this obligation ended on 18 November 2013. The previous operational audit of February 2012 noted that the Customer Service Charter was displayed in the office at the audit. We cannot conclude that the licensee did not meet this obligation. The Customer Service Charter is available on the Shire's website and is provided if customers request it The Shire has previously provided information on the Customer Service Charter along with its rates notice 	<ul style="list-style-type: none"> Interviews with licensee staff Access to Shire's website Inspection of Shire's offices 	1
The licensee must review its Customer Service Charter at least once in every three year period.	2012/21	Schedule 3 Clause 2.6 or 2.7	5	<ul style="list-style-type: none"> The current version of the Customer Service Charter was revised in June 2013. We did not sight approval by the Authority of the June 2013 revision. The licensee advertised publically regarding the 2013 revision of the Charter and called for comment. The version before this was revised in June 2011 and approved by the Authority on 29 July 2011. The Authority granted an extension to licensees for the Charter review period in 2013 due to the 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Customer Service Charter (2011 and 2013 versions) Advertisement 	1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				introduction of the new regulatory framework in late 2013.		
The licensee must provide its services consistent with its Customer Service Charter.	2012/22	Schedule 3 Clause 2.7	4	<ul style="list-style-type: none"> ▪ The Customer Service Charter reflects the relevant conditions outlined in the licence. ▪ The Shire operates with the intention to provide services as outlined in the licence and in the Customer Service Charter. ▪ Processes are in place to guide the operation of the Shire's wastewater services to meet the requirements outlined in the Customer Service Charter and licence. ▪ We have seen no instances of where the licensee has provided its services inconsistent with the Customer Service Charter 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Review of Customer Service Charter ▪ Review of Shire processes for managing water service 	1
The licensee must establish customer consultation processes as set out in Schedule 3.	2012/23	Clause 8 and Schedule 3 Clause 4	4	<ul style="list-style-type: none"> ▪ The licensee holds an annual electors meeting at which the annual report is made available to all ratepayers. This annual meeting provides a forum for customers to be consulted with and provide feedback. ▪ The licensee also hold monthly Council meetings where public question time is a fixed agenda item and is another forum for consultation and feedback. ▪ We consider that the above two items meet the requirements of Clause 4.1(b)(iii) of Schedule 3 of the Licence (Version 2). ▪ However, we do not consider that the licensee provided one of the other consultation mechanisms identified in clause 4.1(b). Therefore we consider that this constitutes a 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Review of annual electors meeting minutes ▪ Notice of annual electors meetings ▪ Review of monthly Council minutes 	2

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				minor non-compliance. We note however that this obligation is no longer in effect and also that the licensee has a close working relationship with its community.		
The licensee may either establish a Customer Council or institute at least 2 of the following: establish a regular meeting; publish a newsletter or run other public forums, concerning the licensed activities.	2012/24	Schedule 3 Clause 4.1	4	<ul style="list-style-type: none"> As noted above, we consider that the licensee has not fully met the requirements of Schedule 3, Clause 4.1. We note however that this obligation is no longer in effect and also that the licensee has a close working relationship with its community. 	<ul style="list-style-type: none"> Interviews with licensee staff 	2
The licence must consult the Authority on the type and extent of consultation to be adopted by the licensee.	2012/25	Schedule 3 Clause 4.2	4	<ul style="list-style-type: none"> There has been no change to the type and extent of the customer consultation that has been adopted by the Shire. The Authority approved the licensee's Customer Service Charter which sets out the type and extent of consultation that the licensee undertook. We consider that approval of the Customer Service Charter is sufficient to meet this obligation. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Customer Service Charter 	1
The licensee must, if at the request of the Authority, establish other forums for consultations, to enable community involvement in issues relevant to licence obligations.	2012/26	Schedule 3 Clause 4.3	4	<ul style="list-style-type: none"> The licensee was not requested by the Authority to establish other forums or consultations. Therefore, this obligation cannot be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
The licensee must prior to making a major change to the operation of a water service hold a public meeting and seek written submissions.	2012/28	Schedule 3 Clause 4.5 Sewerage Licensee	N/a	<ul style="list-style-type: none"> There have been no major changes to the licensee's services during the audit period. Therefore, this obligation cannot be rated 	<ul style="list-style-type: none"> Interviews with licensee staff Asset Management Plan (updated September 2014) 	NR
The licensee must allow customers to raise matters of concern at public	2012/29	Schedule 3 Clause 4.6	4	<ul style="list-style-type: none"> Allowance for public question time is included at each monthly Council meeting 	<ul style="list-style-type: none"> Interviews with licensee staff 	1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
question time in accordance with the Local Government Act 1995.		LGA sewerage providers		<ul style="list-style-type: none"> We found in our review of the minutes of Council meetings that public questions are received infrequently 	<ul style="list-style-type: none"> Review of a sample of Council meeting minutes 	
The licensee must conduct a customer survey if directed to by the Authority.	2012/32	Schedule 3 Clause 6	4	<ul style="list-style-type: none"> The licensee advised that is has not been directed by the Authority to undertake a customer survey in the audit period. Therefore, this obligation cannot be rated 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
The licensee must set out in writing its conditions for connection and make it available to people enquiring or applying for connection.	-	Schedule 6 Clause 2.1	4	<ul style="list-style-type: none"> Section 2.7 of the licensee's Customer Service Charter sets out the conditions for connection. The Customer Service Charter is made available to people who enquire and also on the Shire's website 	<ul style="list-style-type: none"> Review of Customer Service Charter Interviews with licensee staff Testing of the Shire's website 	1
The licensee must ensure that its services are available for connection on any land in the Operating Area subject to compliance with the Shire's conditions.	-	Schedule 6 Clause 2.2	4	<ul style="list-style-type: none"> Section 2.7 of the licensee's Customer Service Charter sets out the conditions for connection. This clause requires that the services be available for connection "on any land in the Operating Area" subject to the conditions. The conditions restrict connection to where a "wastewater reticulation main is available" and where this main "as the capacity for the required service". This is a reasonable condition for connection. 	<ul style="list-style-type: none"> Review of drawings of sewerage reticulation system Review of Customer Service Charter Interviews with licensee staff 	1
The licensee may with the written agreement of the property owner discontinue a service where it is not commercially viable. ²¹	-	Schedule 6 Clause 2.3	4	<ul style="list-style-type: none"> There have been no instances of the water service being discontinued due to it being not commercially viable. Therefore, this obligation cannot be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Fees (Clause 4)						

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
The licensee must pay the applicable fees in accordance with the Regulations.	155	Clause 4	5	<ul style="list-style-type: none"> The licensee has not been required to pay any applicable fees (as per Schedule 4 of the Water Service Regulations 2013) during the audit period. Therefore, this obligation cannot be rated 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Compliance (Clause 5)						
Subject to any modifications or exemptions granted pursuant to the Act, the licensee must comply with any applicable legislation.	156	Clause 5.1	4	<ul style="list-style-type: none"> The licensee's compliance with applicable legislation is tested in detail and summarised in this table. We have identified a number of non-compliances with applicable legislation as follows: <ul style="list-style-type: none"> Section 12 (1)(s) – giving of information relating to general works (Obligation 164) Section 82 (4)&(5) – Notification and requirements as to building work (Obligation 17) 	<ul style="list-style-type: none"> Interviews with licensee staff Annual compliance reports This audit report 	2
Water Services Act 2012						
The licensee must comply with each code of practice made by the Minister to the extent to which it applies to the licensee.	10	Clause 5.2	4	<ul style="list-style-type: none"> No code(s) of practice have been made by the Minister that apply to the licensee. Therefore, this obligation is not applicable. 		NA
The licensee must comply with the code of conduct that may be made by the Authority to the extent to which it applies to the licensee and is not inconsistent with the licence.	11	Clause 5.3	4	<ul style="list-style-type: none"> Obligations 92 – 153 in this table relate to specific requirements of the licensee relating to the Code of Conduct We have found through this audit that the licensee has not complied with all requirements of the Code of Conduct, specifically: <ul style="list-style-type: none"> Clause 7 – Information about connections (Obligation 92) Clause 18(2) – Procedure for review of bills (Obligation 114) 	<ul style="list-style-type: none"> Interviews with licensee staff Annual compliance reports This audit report 	2

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				<ul style="list-style-type: none"> - Clause 21(1) – Payment methods (Obligation 119) - Clause 26(3) – Timing for Financial Hardship Policy (Obligation 126) - Clause 35(1)&(2) – Complaints procedure (Obligations 145 and 146) - Clause 37(1) – Information to be publically available (obligation 153) 		
The licensee must comply with a direction from the Authority in relation to a breach of applicable legislation.	159	Clause 5.4	4	<ul style="list-style-type: none"> ▪ The licensee has not had any directions from the Authority in relation to a breach of applicable legislation and therefore this obligation is not applicable. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	NA
If the licensee ceases to provide a water service in an area, the licensee must ensure that the water service works are left in a safe condition, and must not remove any part of the works except with the approval of the Minister.	13	Section 36	4	<ul style="list-style-type: none"> ▪ The licensee advised that it has not ceased to provide a water service during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	NR
The licensee must take reasonable steps to minimise the extent or duration of any interruption of water services it is responsible for.	16	Section 77(3)	4	<ul style="list-style-type: none"> ▪ The licensee has in place appropriate asset management practices to minimise the extent or duration of any interruption of its water services. We discuss asset management practices further in the second section of this report. ▪ Interruptions are predominantly due to blockages in the sewerage network. These are reported to the works supervisor via customer contact or internally. ▪ Interruptions may also be caused by repair works on the network. The 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Review of asset management system 	1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				<p>licensee consults customers before works are undertaken.</p> <ul style="list-style-type: none"> ▪ The licensee has recorded no breaks or chokes in the audit period. 		
<p>If a person must give the licensee notice of any building work to be carried out on land in the operating area of a license, the licensee must return a copy of the plans and specifications contained in the notice with any written directions about the proposed building work that the licensee considers necessary to ensure the safety and efficacy of the provision of water services provided, or to be provided. The licensee must do this within 7 days of receiving the fee for dealing with the notification.</p>	17	Sections 82(4) & (5)	4	<ul style="list-style-type: none"> ▪ As a local government, the licensee is responsible for managing development approvals. ▪ Notice of any building work is provided to the licensee through its Application for Planning Approval Form and Application for Building Permit. ▪ The licensee considers the proposed works and advises of any work that it considers necessary to ensure the safety and efficacy of the provision of water services provided, or to be provided. ▪ The licensee requires two copies of plans to be submitted with building and planning approval applications. One copy of the plans is retained and one copy is returned to the person making the application when approved. ▪ The licensee undertakes this process within 10 days if the building plans are uncertified or 14 days if the buildings plans are certified. The Regulation 20 under the Building Act 2011 prescribes that uncertified plans are to be approved in 10 days and certified plans within 25 days. ▪ The timeframe for returning plans in the Act is more strict than required by Regulation 20 under the <i>Building Act 2011</i>. Because the licensee has aligned its approvals process with 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Review of Application for Planning Approval Form ▪ Review of Application for Building Approval Form ▪ Building Application Checklist 	2

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				<p>the <i>Building Act 2011</i>, it does not comply with this obligation.</p> <ul style="list-style-type: none"> We consider this a minor non-compliance as the <i>Building Act 2011</i> is the primary legislation in this area. 		
If the licensee has given a notice under section 83(3)(a) of the Act, and the licensee is satisfied that the person given the notice is not going to comply with the notice within a reasonable time, the licensee must give the person 21 days notice of its intention to commence the works.	18	Section 84(2)	4	<ul style="list-style-type: none"> The licensee has not had need to provide a notice of this kind during the audit period. Therefore, this obligation is unable to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
If a person makes an application with the State Administrative Tribunal for a review of a decision in respect of the licensee providing additional water services when a person has not responded to the licensee's notice, the licensee cannot provide the works until the application has been finally dealt with, except in limited circumstances.	19	Section 87(2)	4	<ul style="list-style-type: none"> The licensee advised that no applications have been made to the State Administrative Tribunal for review of a decision during the audit period. Therefore, this obligation is unable to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
If the licensee gives a compliance notice to a person who is undertaking construction or carrying out similar works in the vicinity of water service works, the licensee must, to the extent practicable, consult with the owner of the land on which the obstruction is located or the activity is taking place if the person to be given the notice is not the owner of the land.	20	Section 90(7)	4	<ul style="list-style-type: none"> The licensee has not issued any compliance notices under the Act during the audit period. Therefore, this obligation cannot be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
The licensee cannot cut off the supply of water to an occupied dwelling unless the occupier agrees to that.	21	Section 95(3)	4	<ul style="list-style-type: none"> The licensee does not provide water supply services to dwellings. Therefore, this obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
If the licensee provides water supply reticulation works, or enters into an	22	Section 96(1)	4	<ul style="list-style-type: none"> The licensee does not provide water supply reticulation works to fire 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
agreement for the provision of water supply reticulation works, the licensee must install fire hydrants attached to those works in accordance with the requirements of FESA, or the relevant local government as to the location and type of hydrant.				hydrants. Therefore, this obligation is not applicable.	<ul style="list-style-type: none"> Review of asset management system 	
The licensee must comply with requests made under sections 96(3) and 96(4) of the Act to the extent practicable and within a reasonable time.	23	Section 96(5)	5	<ul style="list-style-type: none"> The licensee does not provide water supply reticulation works to fire hydrants. Therefore, this obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
If required to by the Minister, the licensee must connect a wastewater inlet on land to the sewerage works of the licensee.	24	Section 98(3)	4	<ul style="list-style-type: none"> The Shire advises that it did not receive any requests from the Minister to connect a wastewater inlet to the Shire's network in the period being audited. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
The licensee must include the information specified in a compliance notice given in relation to failure to maintain fittings, fixtures and pipes.	25	Section 106(2)	4	<ul style="list-style-type: none"> The licensee does not regulate trade waste discharges to its sewerage reticulation system. This is because the system receives predominantly residential and commercial discharges. The industrial areas in town are serviced by septic systems. Therefore, this obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
The licensee must include the information specified in a compliance notice given in relation to the matters set out in section 119(1).	28	Section 119(2)	4	<ul style="list-style-type: none"> The licensee has not issued any compliance notices under the Act. Therefore, this obligation cannot be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
If a person makes an application to the State Administrative Tribunal under section 122(1), the licensee cannot take, or continue to take, action against the person except in the circumstances specified.	29	Section 122(2)	4	<ul style="list-style-type: none"> The licensee has not issued any compliance notices under the Act and therefore there has been no applications to the Tribunal. Therefore, this obligation cannot be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
If the licensee provides a water supply, sewerage or drainage service to 2 or more dwellings on land by a single property connection, the licensee may apportion fees. The licensee cannot apportion fees to the extent inconsistent with any agreement related to such a provision of services, or section 66 of the Strata Titles Act 1985.	30	Section 125(2)	4	<ul style="list-style-type: none"> The licensee's fees are based on rateable land value and therefore does not apportion fees where two properties share a single property connection. Therefore, this obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
If the licensee has previously lodged a memorial with the Registrar, the licensee must lodge a withdrawal of memorial with Registrar along with the prescribed fee (if any) if the charge or contribution has been paid.	31	Section 128(4)	4	<ul style="list-style-type: none"> The licensee advised that it has not lodged any memorials with the Registrar during the audit period. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
If a routine inspection or maintenance is likely to cause disruption to the occupants of a place at least 48 hours notice of a proposed entry must be given to the occupier of the place unless the occupier agrees otherwise.	32	Section 129(5)	4	<ul style="list-style-type: none"> The licensee is aware of its obligation to provide 48 hours notice of a proposed entry. However, it has not had to provide 48 hours notice entry during the audit period as it has been able to mutually agree entry times with the occupier. 	<ul style="list-style-type: none"> Interviews with licensee staff 	1
If the licensee removes or erects a fence or gate when exercising a works power conferred by the Act, the licensee must take all reasonable steps to notify the owner before doing so.	33	Section 139(3)	4	<ul style="list-style-type: none"> The licensee is aware of its obligation to provide affected parties notice if it removes or erects a fence or gate. Where possible, the licensee provides written notice of any potential disruptions and this will typically be followed up by in person visits. We are satisfied that the licensee has met the requirements of this obligation. 	<ul style="list-style-type: none"> Interviews with licensee staff 	1
In certain instances, if a person authorised by the licensee carries out	34	Section 141(1)	4	<ul style="list-style-type: none"> The licensee is also the public authority responsible for managing 	<ul style="list-style-type: none"> Interviews with licensee staff 	1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
road work that involves breaking the surface of the road or that would cause major obstruction to road traffic, the licensee must give at least 48 hours notice to the public authority managing the road.				<p>roads within the operating area with the exception of one major road. Therefore this clause is generally not applicable.</p> <ul style="list-style-type: none"> ▪ The exception is the short section of State controlled road (Winfield St as part of the Wubin-Mullewa Rd) that coincide with the sewerage network. There are well established procedures for communication between the licensee and that State road authority regarding works. ▪ During the audit period the licensee has undertaken work in Winfield St which included relocation of the sewerage main. This was part of a project to create a freight bypass around the town centre and also to provide a revamped town square. ▪ The licensee consulted extensively with the State authority that controls Winfield St as part of the planning and design for this project. The planning and design occurred many months before construction commenced and therefore the licensee has met this obligation. 		
The licensee must comply with sections 143 and 144 of the Act in relation to the proposed major works, and has given any notice required under section 148.	35	Sections 142	4	<ul style="list-style-type: none"> ▪ The licensee' has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	NR
Before the licensee submits a proposal for the provision of major works to the Minister, the licensee must prepare, publish and make available plans and details of those major works as specified.	36	Sections 143 (2)	4	<ul style="list-style-type: none"> ▪ The licensee' has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	NR

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
The licensee must, within 5 days of publishing the plans and details on the licensee's website, give notice setting out the matters prescribed in section 143(4) to the persons and agencies specified.	37	Sections 143 (3)	5	<ul style="list-style-type: none"> The licensee has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
The licensee must have regard to an objection or submission lodged within the relevant period.	38	Sections 144(3)	4	<ul style="list-style-type: none"> The licensee has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
If the licensee makes alterations to the plans or details referred to in section 143(2), the licensee must give written notice of the alterations to any person who is likely to be adversely affected by those alterations.	39	Section 145(2)	5	<ul style="list-style-type: none"> The licensee has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
The licensee must comply with a direction given by a Minister in respect of a proposal to provide water service works that are major works under section 143(3).	40	Section 147(3)	4	<ul style="list-style-type: none"> The licensee has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
If the Minister gives a direction that further notices in relation to the proposed major works be given under section 143(3), the licensee must resubmit the proposal.	41	Section 147(4)	4	<ul style="list-style-type: none"> The licensee' has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
A licensee proposing to provide water service works that are general works must prepare plans and details of the proposed works and publish and make them available for inspection.	42	Section 151(1)	4	<ul style="list-style-type: none"> There has been limited general works in the time that this obligation has applied to the licensee. These include construction of an extension of the reticulation network at Whites Avenue to service future development and relocation of sewer mains as part of the town 	<ul style="list-style-type: none"> White's Avenue construction drawings Winfield St /Town Square drawings and information display in Shire offices Town Square redevelopment updates on Shire website 	1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				square redevelopment and Winfield St bypass. <ul style="list-style-type: none"> The licensee makes plans and details of its works available for inspection at its offices. There has been significant community consultation regarding the town square redevelopment including a weekly progress update on the Shire's website. 		
The licensee must give a notice setting out the matters referred to in section 151(3) to the persons and agencies specified.	43	Section 151(2)	4	<ul style="list-style-type: none"> The general works undertaken have been on land owned by the licensee and therefore this obligation is not applicable for the general works conducted during the audit period 	<ul style="list-style-type: none"> Interviews with licensee staff White's Avenue construction drawings Winfield St /Town Square drawings and information display in Shire offices 	NA
The licensee must have regard to an objection or submission lodged by the date specified in the notice given under section 151(2).	44	Section 152(3)	4	<ul style="list-style-type: none"> As no notice was given under section 151(2) because this obligation was not applicable, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
If the licensee makes alteration to those plans or details referred to in section 151, the licensee must give written notice of the alterations to any person who is likely to be adversely affected by those alterations.	45	Section 153(3)	4	<ul style="list-style-type: none"> As no notice was given under section 151(2) because this obligation was not applicable, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
On being advised by the Minister that an interest in land is appropriate to the licensee's needs, the licensee is required to acquire the interest.	46	Section 166(5)	4	<ul style="list-style-type: none"> The licensee has not been required to take an interest in land under the Act. Therefore, this clause is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Any costs incurred in taking an interest in land are to be paid by the licensee.	47	Section 166(6)	4	<ul style="list-style-type: none"> The Shire has not been required to take an interest in land under the Act. Therefore, this clause is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
The licensee must not sell an interest in land if the purchaser would hold a	48	Section 170	4	<ul style="list-style-type: none"> The licensee has not been required to take an interest in land under the 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
parcel of land that did not comply with the minimum lot size and zoning requirements under the Planning and Development Act 2005, unless the Minister permits the licensee to do so.				Act. Therefore, this clause is not able to be rated.		
In relation to entry to a place for the purposes of doing works, in the circumstances specified the licensee is required to give 48 hours notice of proposed entry to a place to the occupier or owner, as applicable, unless the occupier or owner agrees otherwise.	49	Section 173(4)	4	<ul style="list-style-type: none"> ▪ Section 3.0 of the licensee's Customer Service Charter, which has been retained for information purposes to aid the licensee meet obligations under Clause 7 of the Water Services Code of Conduct (Customer Service Standards) 2013, sets out the licensee's powers in relation to entry of property. ▪ Further, the licensee has entry powers under other legislation that it may use if necessary. ▪ The licensee notes that it will almost always be able to be mutually agree entry with owners or occupiers were necessary. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Customer Service Charter 	NR
Notice of a proposed entry by the licensee must be in writing and must set out the purpose of the entry, including (if applicable) any work proposed to be carried out.	50	Section 174(1)	4	<ul style="list-style-type: none"> ▪ The licensee advised that it has not issued any entry notices during the audit period. Therefore, this obligation is not able to be rated 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	NR
Even if in a particular instance the licensee may enter a place under the Act without having to give notice of proposed entry, the licensee must when practicable, and when it will not compromise the reason for entry, give notice of entry to the occupier.	51	Section 174(3)	4	<ul style="list-style-type: none"> ▪ The licensee advised that it has not issued any entry notices during the audit period. ▪ Nor was it able to identify instances where it would have been practicable to give notice of entry. ▪ The licensee notes that it rarely enters private property as any issues with the sewerage network within customer's properties will often be investigated by private plumbers at the instigation of the customer. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	NR

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				<ul style="list-style-type: none"> This obligation is not able to be rated 		
If an occupier is present when the licensee proposes to enter a dwelling, the licensee must perform the prescribed actions before entering the premises.	52	Section 175(2)	4	<ul style="list-style-type: none"> Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. However no unconsented entries were made during the audit period. Therefore, this obligation is not able to be rated. Where customers report blockages, these are typically attended to by private plumbers. The plumbers then inform the licensee if the problem was due to its assets and the licensee then covers the costs of the blockage removal. The licensee notes that it will always strive to be courteous and respectful when dealing with customers. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
If the licensee enters a dwelling that is unoccupied, the licensee must leave a notice or a copy of the warrant (as applicable) in a prominent position in the dwelling before leaving the dwelling.	53	Section 175(5)	4	<ul style="list-style-type: none"> Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. However no unconsented entries were made during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
If the licensee has entered a place with or without consent, the licensee must leave the premises as soon as practicable after being notified that the owner or occupier has refused or withdrawn their consent.	54	Section 176(1)	4	<ul style="list-style-type: none"> Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. However no unconsented entries were made during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
The licensee must produce their certificate of authority if asked to do so, and must not perform, or continue to perform, a function under the Act until they are not able to do so.	55	Section 176(3)	4	<ul style="list-style-type: none"> Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. However no unconsented entries were made during the audit 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				period. Therefore, this obligation is not able to be rated.		
If the licensee enters or proposes to enter a place, and the owner or occupier requests the licensee produce evidence of authority for that entry, then the licensee must leave the place if they are unable to do so unless the owner or occupier agrees otherwise.	56	Section 176(4)	4	<ul style="list-style-type: none"> Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. However no unconsented entries were made during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
The licensee, or a person assisting the licensee, must, as far as is practicable comply with any reasonable request from the owner or occupier intended to limit interference with the lawful activities of the owner or occupier.	57	Section 181	5	<ul style="list-style-type: none"> The licensee advised that it has not received requests from owners or occupiers intended to limit its interference. Therefore, this obligation is not able to be rated. The licensee notes that it will always strive to be courteous and respectful when dealing with customers. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
If the licensee applies for a warrant, the application must contain the prescribed information.	58	Section 186	4	<ul style="list-style-type: none"> The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
If the licensee applies for a warrant to enter, the application must be made in accordance with the procedures specified depending on the location of the applicant and the justice.	59	Section 187(1) – (3)	4	<ul style="list-style-type: none"> The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Unless required to give a copy of the warrant, the licensee executing the warrant must produce the warrant for inspection by the occupier of the place concerned on entry (if practicable), and if requested to do so.	60	Section 190(4)	4	<ul style="list-style-type: none"> The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
On completing the execution of a warrant the licensee must record the prescribed information on that warrant.	61	Section 190(5)	4	<ul style="list-style-type: none"> The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
If the licensee designates a person as an inspector or compliance officer, the licensee must give that person a certificate of authority that includes certain prescribed information.	62	Section 210(5)	4	<ul style="list-style-type: none"> The licensee has not designated any person as an inspector or compliance officer. Therefore, this obligation cannot be rated 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
In the exercise or purported exercise of a power under the Act, the licensee must ensure that, to the extent practicable, the free use of any place is not obstructed, and that as little damage, harm or inconvenience is caused as is possible.	63	Section 218(2)	5	<ul style="list-style-type: none"> The licensee has not exercised a works power of power of entry under this act during the audit period. Therefore this obligation is not able to be rated. The licensee has a strong customer focus and strong connection with its customers which provides assurance that it would comply with this obligation if tested. No complaints regarding the licensee's actions to deliver the water service have been received during the audit period. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
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.	64	Section 218(3)	4	<ul style="list-style-type: none"> The licensee has not exercised a works power of power of entry under this act during the audit period. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Water Services Regulations 2013						
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.	74	Regulation 60(2)	4	<ul style="list-style-type: none"> The licensee has not exercised a works power in a road during the audit period. Therefore this obligation is not able to be rated. The licensee has well established relationships and processes for liaising with other infrastructure owners. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
If the licensee opens or breaks up the surface of a road, the licensee must complete the relevant work and	75	Regulation 63	4	<ul style="list-style-type: none"> The licensee, as a local authority, is also the roads owner and manager. The exception of relevant is for the 	<ul style="list-style-type: none"> Interviews with licensee staff 	1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
reinstate and make good the road, and must take all reasonable measures to prevent that part of the road from being hazardous.				<p>small section of State controlled road that coincides with the sewerage network.</p> <ul style="list-style-type: none"> The licensee is well aware of its obligations to reinstate and make good roads following works. The licensee has carried out works to its sewerage network in Winfield St, the town square and Whites Avenue during the audit period. We inspected all sites and found that the surfaces had been adequately reinstated. The town square project was still in progress though. 	<ul style="list-style-type: none"> Inspection of works sites 	
Compliance notices issued by the licensee must include a brief description of the possible consequences under the Act of not complying with the notice, and the rights of review under the Act in relation to the notice and who may apply for review.	89	Regulation 85	4	<ul style="list-style-type: none"> The licensee has not issued any compliance notices during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
The licensee must comply with any code of practice made by the Minister to the extent it applies to the licensee.	157	Clause 5.2	4	<ul style="list-style-type: none"> Refer to observations detailed in Compliance Manual Obligation 10. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
The licensee must comply with any code of conduct made by the Authority to the extent it applies to the licensee and is not inconsistent with the terms and conditions of the licence.	158	Clause 5.3	4	<ul style="list-style-type: none"> Refer to observations detailed in Compliance Manual Obligation 11. 	<ul style="list-style-type: none"> Interviews with licensee staff 	2
Water Services Code of Conduct (Customer Service Standards) 2013						
The licensee must have written information for customers about the specified matters.	92	Clause 7	4	<ul style="list-style-type: none"> The Shire's Customer Service Charter made under its previous 	<ul style="list-style-type: none"> Interviews with licensee staff 	2

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				<p>licence (Version 2) fulfils some of the requirements of this obligation.</p> <ul style="list-style-type: none"> ▪ However, the Customer Service Charter does not cover the following: <ul style="list-style-type: none"> – There is no statement about owners of land to which statutory water service charges apply being entitled to service as per section 73 of the Act – There is no statement about the licensee having a duty to provide services as per section 21 of the act – The regulations relating to Section 21(2)(c) – The period in which connections are required to be completed ▪ The Customer Service Charter is publically available on the licensee's website ▪ We consider that the extent of information not addressed in the Customer Service constitutes a moderate non-compliance 	<ul style="list-style-type: none"> ▪ Review of Customer Service Charter 	
The licensee must ensure that, in any 12 month period, 90% of connections are completed before the end of 10 business days, starting on the day on which the customer has paid the relevant fees and complied with the relevant requirements.	93	Clause 8	4	<ul style="list-style-type: none"> ▪ The licensee does not provide water supply services. Therefore, this obligation is not applicable. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	NA
The licensee must issue a bill for non-quantity charges to each customer at least once in every 12 month period.	94	Clause 9	4	<ul style="list-style-type: none"> ▪ The licensee issues water service charges along with its general Council rates. This is undertaken annually. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	1

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

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

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

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				sewerage services but on investigation this was found to be incorrect.		
The licensee must, in accordance with the customer's instructions, refund or credit the customer's account within 15 business days from starting on the day the licensee receives the instructions.	112	Clause 17(2)	4	<ul style="list-style-type: none"> The licensee is not aware of any instances of where it has overcharged customers during the audit period. Therefore this obligation cannot be rated. The licensee has in place established procedures for refunding overcharged amounts on other parts of their rates bills. The overcharged amount is immediately credited to the customer's account. The customer then has the option of leaving this amount as a credit against their account or having the amount refunded to them. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
The licensee must review a bill on the customer's request.	113	Clause 18(1)	4	<ul style="list-style-type: none"> The licensee reviews bills when requested to by customers. This is typically performed in person at the Shire offices at the time the request is made. The licensee reports that a small number of requests for review of bills have been received during the audit period. 	<ul style="list-style-type: none"> Interviews with licensee staff 	1
The license must have a written procedure for the review of a bill on the customer's request.	114	Clause 18(2)	4	<ul style="list-style-type: none"> The licensee does not have a written procedure for review of a bill The licensee has reviewed a number of bills during the audit period to the satisfaction of customers despite not having a written procedure. 	<ul style="list-style-type: none"> Interviews with licensee staff 	2
The review procedure in clause 18(2) must include the specified information and be publicly available.	115	Clauses 18(3) & (6)	4	<ul style="list-style-type: none"> The licensee does not have a written procedure for review of a bill 	<ul style="list-style-type: none"> Interviews with licensee staff 	2

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
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.	116	Clause 18(4)	4	<ul style="list-style-type: none"> The licensee does not have a written procedure for review of a bill 	<ul style="list-style-type: none"> Interviews with licensee staff 	2
The licensee must inform the customer of the outcome of a review of the customer's bill as soon as practicable or otherwise less than 15 business days from the day the customer's request for review was received.	117	Clause 18(5)	4	<ul style="list-style-type: none"> The licensee confirms that it informs customers of the outcome of the review of bills within 5 business days. Customers are typically informed at the time that they ask for the review as the licensee endeavours to perform all reviews immediately. 	<ul style="list-style-type: none"> Interviews with licensee staff 	1
The time set by the licensee for the payment of a bill must be after 14 days from when the bill is issued.	118	Clause 20	4	<ul style="list-style-type: none"> The licensee requires payments of its bills within 35 days of issue. 	<ul style="list-style-type: none"> Interviews with licensee staff Sample rates bill 	1
The licensee must allow a customer to pay a bill using any of the prescribed methods selected by the customer.	119	Clause 21(1)	4	<ul style="list-style-type: none"> The Licensee accepts payments by all the prescribed methods except for direct debit This is a minor non-compliance as customers have multiple other ways to pay a bill We reviewed a sample bill which we noted provided all the information necessary to make payment by the prescribed methods except for direct debit. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of example bill 	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.	120	Clause 21(2)	4	<ul style="list-style-type: none"> The license does not apply any additional fees and charges to different payment methods 	<ul style="list-style-type: none"> Interviews with licensee staff 	1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
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.	121	Clause 22	4	<ul style="list-style-type: none"> The licensee does not accept payment by direct debit therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
The licensee must accept payment in advance from a customer on a customer's request.	122	Clause 23(1)	4	<ul style="list-style-type: none"> The licensee accepts payment in advance from customers. Payments are credited to the customer's account. 	<ul style="list-style-type: none"> Interviews with licensee staff 	1
The licensee must on request and at no charge redirect a customer's bills because of the customer's absence or illness.	123	Clause 24	4	<ul style="list-style-type: none"> The licensee is able to redirect customer's bills on request and at no charge This provision is also set out in the licensee's Financial Hardship Policy 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Financial Hardship Policy 	1
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.	124	Clause 25	4	<ul style="list-style-type: none"> The licensee allows customers to pay bills under a payment plan or other arrangement Information on payment plans is set out in its Financial Hardship Policy 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Financial Hardship Policy 	1
The licensee must have a written policy in relation to financial hardship that is approved by the Authority.	125	Clauses 26(1) & (2)	4	<ul style="list-style-type: none"> The licensee has in place a Financial Hardship Policy that was approved by the ERA The Financial Hardship Policy is available on the licensee's website 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Financial Hardship Policy 	1
If the licensee's licence was in place before the commencement of the Act, the licensee must have a financial hardship policy before the end of the 6 month period starting on the day on which section 27 of the Act comes into effect.	126	Clause 26(3)	4	<ul style="list-style-type: none"> The licensee had in place a licence before commencement of the Act (version 2 of its licence which commenced in May 2009) and a new version of its licence came into effect on the same day that the Act came into effect. Therefore the licensee was required to have a financial hardship policy before the end of the 6 month period 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Financial Hardship Policy Letter from licensee to Authority dated 24 February 2014 submitting Financial Hardship Policy for approval 	2

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				<p>starting on the day on which section 27 of the Act comes into effect.</p> <ul style="list-style-type: none"> Section 27 of the Act commenced on 18 November 2013 (See Note 1 to the Act) and therefore the licensee was required to have a Financial Hardship Policy by 18 May 2014. The licensee submitted its Financial Hardship Policy to the Authority on 24 February 2014 for approval. However, the Authority found that the Policy did not meet the requirements of its Guidelines and therefore further revision to the Policy was required. The Financial Hardship Policy was approved by the Authority on 4 July 2014. This was after the due date and therefore this constitutes a minor non-compliance. 		
If the licensee's licence was granted after the day on which the Act came into effect, the licensee must have a financial hardship policy within 6 months of the day of the grant of the license.	127	Clause 26(4)	4	<ul style="list-style-type: none"> The licensee was granted a licence before commencement of the Act. Therefore, this obligation is not applicable. 	<ul style="list-style-type: none"> Interview with licensee staff 	NA
The licensee's financial hardship policy must be publicly available.	128	Clause 26(5)	4	<ul style="list-style-type: none"> The Financial Hardship Policy is available on the licensee's website We accessed the Financial Hardship Policy at audit 	<ul style="list-style-type: none"> Interview with licensee staff Access to the licensee's website 	1
The licensee must review its financial hardship policy at least once in every 5 year period and, as part of the review process, consult with relevant consumer organisations.	129	Clauses 26(6)	4	<ul style="list-style-type: none"> The licensee's Financial Hardship Policy was approved in July 2014 and therefore needs to be reviewed before July 2019. Therefore, this obligation cannot be rated for the audit period. Section 8 of the Financial Hardship Policy states that the licensee will 	<ul style="list-style-type: none"> Interview with licensee staff 	NR

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				review and update the policy at least every five years.		
The licensee must allow a customer experiencing financial hardship to pay a bill under an interest-free or fee-free payment plan other arrangement under which the customer is given more time to pay the bill or to pay arrears.	130	Clause 27(2)	4	<ul style="list-style-type: none"> The licensee allows customers to pay bills under a payment plan or other arrangement that does not incur interest or fees Information on payment plans is set out in its Financial Hardship Policy 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Financial Hardship Policy 	1
The licensee must also consider reducing the amount owed, review and revise, if appropriate, how a customer is paying a bill under clause 27(2) and provide the specified written information to a customer.	131	Clause 27(3)	4	<ul style="list-style-type: none"> The licensee does consider writing off amounts owed to it in certain circumstances. Approval for writing off amounts owed must be given by the Council, officers are not authorised to do so. The licensee reports that amounts owed are written off from time to time. The information required to be provided under clause 27(3)(c) is included in the licensee's Financial Hardship Policy 	<ul style="list-style-type: none"> Interviews with licensee staff Financial Hardship Policy 	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.	132	Clause 28(1)	4	<ul style="list-style-type: none"> The licensee only bills owners of lands for water services and therefore meets the requirements of this obligation. 	<ul style="list-style-type: none"> Interviews with licensee staff 	1
The licensee must have publicly available written information regarding the payment plans, arrangements and other assistance that is available to customers.	133	Clauses 28(4) & (5)	4	<ul style="list-style-type: none"> This information is available in the licensee's Financial Hardship Policy The Financial Hardship Policy is publically available on the licensee's website 	<ul style="list-style-type: none"> Interview with licensee staff Review of Financial Hardship Policy Access to the licensee's website 	1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
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.	134	Clause 29	4	<ul style="list-style-type: none"> The licensee does not collect debts where a customer is in a payment arrangement 	<ul style="list-style-type: none"> Interviews with licensee staff 	1
The licensee must not reduce the rate of flow of water to a customer to below 2.3 litres each minute.	139	Clause 33	4	<ul style="list-style-type: none"> The licensee does not provide a potable water supply service. Therefore this obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
The licensee (other than the Water Corporation) must restore a water supply to land within the specified timeframe, unless the licensee and customer expressly agree otherwise.	142	Clauses 34(4)	4	<ul style="list-style-type: none"> The only customer for the licensee's water supply (recycled water) service is the licensee. Therefore, the licensee will always be in agreement with itself regarding water restoration timeframes. Therefore, this obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
The licensee (other than the Water Corporation) must ensure that there is a 90% compliance rate with clause 34(4) in any 12 month period ending on 30 June.	144	Clauses 34(6)	4	<ul style="list-style-type: none"> The only customer for the licensee's water supply (recycled water) service is the licensee. Therefore, the licensee will always be in agreement with itself regarding water restoration timeframes and therefore the specified timeframes are not relevant. Therefore, this obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
The licensee must have a written complaints procedure in relation to investigating and dealing with complaints of customers about the provision of water services by the licensee or a failure by the licensee to provide a water service.	145	Clauses 35(1)	4	<ul style="list-style-type: none"> The licensee's Customer Service Charter details how it receives and responds to complaints Complaints may be received by telephone, in person at the Shire's customer service centre or via a webform on the licensee's website. The licensee has in place important parts of a complaints handling 	<ul style="list-style-type: none"> Interviews with licensee staff 	3

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				<p>procedure. However, the complaints procedure is not fully documented</p> <ul style="list-style-type: none"> We consider that this constitutes a moderate non-compliance 		
<p>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).</p>	146	Clause 35(2)	4	<ul style="list-style-type: none"> The main components of a complaints procedure under AS ISO1002-2006 (now superseded by the 2014 version) are: <ul style="list-style-type: none"> Commitment Supporting policy and procedures Defined responsibilities Staff awareness The licensee displays commitment to managing complaints observed through discussion with its staff. It also has some processes in place, for example a complaints recording form. However, it does not have in place a procedure and defined responsibilities for responding to and resolving complaints. We consider that as above this constitutes a moderate non-compliance. 	<ul style="list-style-type: none"> Interviews with licensee staff 	3
<p>The licensee's complaints procedure must provide for the matters specified in relation to lodgment of complaints, responding to complaints, dispute resolution arrangements and resolving complaints.</p>	147	Clauses 35(3)	4	<ul style="list-style-type: none"> The licensee's complaints processes does not fully cover these areas. We consider this to be a moderate non-compliance. 	<ul style="list-style-type: none"> Interviews with licensee staff 	3
<p>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</p>	148	Clauses 35(4)	4	<ul style="list-style-type: none"> The licensee's complaints procedure does not cover these areas. We consider this to be a moderate non-compliance. 	<ul style="list-style-type: none"> Interviews with licensee staff 	3

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
resolution procedure or instead of the procedures under the Act.						
The licensee's complaints procedure must be publicly available.	149	Clauses 35(6)	4	<ul style="list-style-type: none"> ▪ The licensee does not make its complaints procedure required under Clause 35 available publicly. We consider this to be a moderate non-compliance. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	3
The licensee must provide a customer with the specified services on request and at no charge.	150	Clause 36(1)	4	<ul style="list-style-type: none"> ▪ The licensee makes these services available to customers at no charge. ▪ The licensee has in place a disability access and inclusion plan ▪ We have witnessed that many of the licensee's documents, e.g. the Financial Hardship Policy, include accessibility information 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Disability access and inclusion plan ▪ Financial Hardship Policy 	1
The licensee must make available to each customer the customer's personal account information.	152	Clause 36(2)	4	<ul style="list-style-type: none"> ▪ The licensee provides account information such as current account balance when requested. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	1
The licensee must make the prescribed information publicly available.	153	Clause 37(1)	4	<ul style="list-style-type: none"> ▪ The licensee makes the required information publically available as follows: <ul style="list-style-type: none"> (a) Fees and charges are publically available on the licensee's website in the annual budget (b) Bill payment methods are available on the customer's bill. We consider that the bill is a private document between the licensee and existing customers and therefore this obligation has been met. We note however that customers constitute the largest, and most significantly important, group that is interested in this information. We 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Disability access and inclusion plan ▪ Financial Hardship Policy 	2

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				<p>consider that this is a minor non-compliance.</p> <p>(c) Exemptions, rebates and discounts are on the customer's bill. We consider that the bill is a private document between the licensee and existing customers and therefore this obligation has not been met. We note however that customers constitute that largest, and most significantly important, group that is interested in this information. We consider that this is a minor non-compliance.</p> <p>(d) The licensee's Financial Hardship Policy notes that customers can contact the Shire through the National Relay Service, Speak and Listen phone service or with assistance from the National Interpreter Service. We note however that the licensee does not make reference to large-print services in publically available information and therefore consider that this is a minor non-compliance. The licensee does however offer this service.</p> <p>(e) Authorised person powers – not applicable as the licensee has not authorised any persons under the Act</p> <p>(f) Not applicable</p>		

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				(g) Not applicable (h) Not applicable (i) Not applicable (j) Not applicable (k) Not applicable (l) Not applicable		
Accounting Records (Clause 12)						
The licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.	160	Section 12	5	<ul style="list-style-type: none"> ▪ Accounting records are prepared in accordance with AASB standards. ▪ Financial records are included in the Shires' annual reports and are published on the internet. ▪ The financial statement includes a sign-off from the independent auditor and the Shire's CEO that the financial report complies with the Australian Accounting Standards and the provisions of the Local Government Act 1995 and the regulations under that Act related to Financial Management. ▪ The licensee also makes available on its website draft and final budget information and has in the past provided monthly financial updates publically. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Review of financial statements in annual reports 	1
Individual Performance Standards (Clause 13)						
The licensee must comply with any individual performance standards prescribed by the Authority.	161	Section 12	4	<ul style="list-style-type: none"> ▪ There are no individual performance standards specified in Schedule 3 of the licensee's licence. Therefore, this obligation is not applicable. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	NA
Operational Audit (Clause 14)						
The licensee, must, unless otherwise notified in writing by the Authority, provide the Authority with an	9	Section 25	5	<ul style="list-style-type: none"> ▪ The licensee is currently subject to operational audits at 36 month intervals and this was confirmed by 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
operational audit within 24 months after the commencement date, and every 24 months thereafter.				<ul style="list-style-type: none"> the Authority in writing at the completion of the last audit. ▪ The last operational audit was undertaken in 2011 by Quantum Assurance (report prepared in February 2012) which covered the period from 1 December 2008 to 30 November 2011. ▪ The next operational audit (this audit) covers the period from 1 December 2011 to 30 November 2014. 	<ul style="list-style-type: none"> ▪ Review of previous operational audit report (Quantum Assurance, February 2012) 	
The licensee must cooperate with the independent expert and comply with the Authority's standard audit guidelines dealing with the operational audit.	162	Section 12	4	<ul style="list-style-type: none"> ▪ The current operational audit follows the ERA Audit Guidelines – Electricity, Gas and Water Licences (August 2010) and 2014 Audit and Review Guidelines - Water Licences – Final (July 2014) ▪ The audit has been conducted following the audit plan prepared in accordance with the guidelines and approved by the Authority. ▪ The licensee has complied with all requests for information made by the auditor and has made its staff and resources freely available to assist the conduct of this audit. ▪ The licensee's staff have acted in a professional and helpful manner throughout this audit. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	1
Reporting a Change in Circumstance (Clause 15)						
The licensee must report to the Authority, in the manner prescribed, if a licensee is under external administration or there is a material change in the circumstances upon which the licence was granted which	163	Section 12	4	<ul style="list-style-type: none"> ▪ The licensee is not under external administration and there has been no material change of circumstances. Therefore, this clause is not able to be rated 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	NR

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
may affect a licensee's ability to meet its obligations.						
The licensee must report to the Authority within 10 business days of providing or undertaking water service works that are major works or general works.	164	Section 12	4	<ul style="list-style-type: none"> ▪ As noted, the licensee has not undertaken any major works ▪ The licensee has undertaken general works related to construction of a sewer main in Whites Avenue and relocation of a sewer main for the Town Square redevelopment. The licensee did not confirm that it has reported these general works to the ERA within 10 business days as required. We consider this a minor non-compliance. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	2
Provision of Information (Clause 16)						
The licensee must provide the Authority any information that the Authority may require in connection with its functions under the Act in the time, manner and form specified by the Authority.	165	Section 12	4	<ul style="list-style-type: none"> ▪ The licensee has provided the required information to the Authority. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ 2013/14 Compliance Report 	1
The licensee must comply with any information reporting requirements prescribed by the Authority, including but not limited to the provisions of the Water Compliance Reporting Manual that apply to the licensee.	166	Section 12	4	<ul style="list-style-type: none"> ▪ We reviewed the following compliance reports at audit: <ul style="list-style-type: none"> – 2010/11 compliance report dated 1 August 2011 – 2011/12 compliance report dated 5 July 2012 – 2012/13 compliance report dated 5 July 2013 ▪ 2013/14 compliance report dated 4 August 2014 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ 2010/11, 2011/12, 2012/13 and 2013/14 Compliance Reports 	1
The licensee must provide the Authority with the data required for performance reporting purposes that is specified in Water Compliance Reporting Manual, and the National	167	Section 12	3	<ul style="list-style-type: none"> ▪ The licensee has provided the Authority with performance reporting data 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Performance reporting data for 11/12, 12/13, 13/14 	1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
Performance Framework that apply to the licensee.						
Publishing Information (Clause 17)						
Subject to clause 17.3, the licensee must publish within the specified timeframe any information that the Authority has directed the licensee to publish under clause 17.1.	168	Section 12	4	<ul style="list-style-type: none"> The Authority has not directed the licensee to publish information related to this obligation. Therefore the obligation cannot be rated. Note that publication of the Financial Hardship Policy followed timing under legislation, not at the Authority's direction. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Notices (Clause 18)						
Unless otherwise specified, all notices must be in writing.	169	Section 12	4	<ul style="list-style-type: none"> The licensee issues all formal correspondence in writing. We reviewed a sample of correspondence at audit 	<ul style="list-style-type: none"> Interviews with licensee staff Annual Compliance 	1
Asset Management System (Clause 20)						
The licensee must provide for, and notify the Authority of, an asset management system within the specified time unless otherwise notified by the Authority.	170	Section 12	4	<ul style="list-style-type: none"> The licensee provided details of the asset management system at the time of its licence application. This obligation is not applicable for the audit period. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
The licensee must notify the Authority of any material change to the asset management system within 10 business days of the change.	171	Section 12	5	<ul style="list-style-type: none"> The licensee advised that no material change has been made to the Asset Management System during the audit period. Therefore, this obligation is not able to be rated 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
The licensee must cooperate with the independent expert and comply with the Authority's standard guidelines dealing with the asset management system review.	172	Section 12	4	<ul style="list-style-type: none"> The asset management system review is being conducted in accordance with the Authority's <i>Audit and Review Guidelines: Water Licences (2014)</i> and the preceding <i>Audit Guidelines: Electricity, Gas and Water Licences (2009)</i> as both 	<ul style="list-style-type: none"> Audit and review plan Audit and review guidelines Interviews with licensee staff 	1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				<p>were in effect during the audit period.</p> <ul style="list-style-type: none"> An audit plan consistent with these guidelines has been prepared prior to this audit. The licensee has been consulted with respect to the audit plan and the audit plan has been approved by the Authority. The outcomes of the asset management system review are in a later section of this report. 		
The licensee must have an asset management system that provides for the operation and maintenance of the water service works.	6	Sections 24(1)(a) & 24(2)	4	<ul style="list-style-type: none"> The licensee has in place an asset management system for the operation and maintenance of its water service works. The main components of the asset management system are: <ul style="list-style-type: none"> A comprehensive asset management plan that is updated annually Inspection, monitoring and operation procedures and checklists Staff training and awareness A review of this asset management system has been completed at the same time as this operational audit and the outcomes are presented in a later section of this report. 	<ul style="list-style-type: none"> Interviews with licensee staff Asset management plan Weekly operator checklist Maintenance and operations procedures Supporting tools 	1
The licensee must give details of the asset management system and any changes to it to the Authority.	7	Section 24(1)(b)	5	<ul style="list-style-type: none"> The licensee provided details of the asset management system at the time of its licence application. This obligation is not applicable for the audit period. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
A licensee must provide the Authority with a report by an independent expert as to the effectiveness of its asset management system every 24	8	Section 24(1)(c)	5	<ul style="list-style-type: none"> An asset management system review was conducted by Barry Robbins Engineering & Project Management in December 2013 	<ul style="list-style-type: none"> Interviews with licensee staff 	1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
months, or such longer period as determined by the Authority.				(report prepared 11 th May 2014), which covered the period from 1 December 2012 to 30 November 2013. <ul style="list-style-type: none"> The next asset management system review (this review) covers the period from 1 January 2013 to 30 November 2014. 	<ul style="list-style-type: none"> Review of previous asset management review report 	
Water Services Ombudsman Scheme (Clause 21)						
The licensee must not supply water services to customers unless the licensee is a member of and bound by the water services ombudsman scheme.	173	Section 12	4	<ul style="list-style-type: none"> The Energy and Water Ombudsman of Western Australia became responsible for the water services ombudsman scheme referred to in Part 4 of the Act on 1 January 2014 The licensee is a member of this scheme 	<ul style="list-style-type: none"> Interviews with licensee staff Correspondence 	1
Licensees who are required to be a member of the water services ombudsman scheme agree to be bound by, and compliant with, any decision or direction of the water services ombudsman under the scheme.	15	Section 66	4	<ul style="list-style-type: none"> The licensee has agreed to be bound by and compliant with any decision or direction of the Ombudsman No complaints concerning the licensee have been referred to the Ombudsman during the audit period 	<ul style="list-style-type: none"> Interviews with licensee staff Correspondence Complaints register 	1
Standard Terms & Conditions of Service (Clause 22)						
Subject to the Act and the terms of a customer contract that apply to the water service, the licensee must supply water services in accordance with the terms and conditions set out in Schedule 4 (if any).	174	Section 12	4	<ul style="list-style-type: none"> There are no Standard Terms and Condition of Service that apply to the licensee. This obligation is not applicable. The licensee seeks to provides its services in accordance with the Act and other legislation including the Local Government Act 1995 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Customer Contract (Clause 23)						

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
If directed by the Authority, the licensee must submit a draft customer contract for approval.	175	Section 12	5	<ul style="list-style-type: none"> The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
The licensee must comply with any Customer Contract Guidelines that apply to the licensee.	176	Section 12	5	<ul style="list-style-type: none"> The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
The licensee may only amend the customer contract with the Authority's approval.	177	Section 12	5	<ul style="list-style-type: none"> The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
The licensee must comply with any direction by the Authority to amend the customer contract.	178	Section 12	5	<ul style="list-style-type: none"> The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Non Standard Terms & Conditions of Service (Clause 24)						
Unless clause 24.3 applies, the licensee cannot enter into an agreement with a customer to provide water services that exclude, modify or restrict the terms and conditions of the licence or the requirements of the Customer Services Code without the prior approval of the Authority.	179	Section 12	4	<ul style="list-style-type: none"> The licensee has not entered into any agreements with customers to provide water services that exclude, modify or restrict the terms and conditions of the licence or the requirements of the Customer Services Code. 	<ul style="list-style-type: none"> Interviews with licensee staff 	1
If the licensee enters into an agreement that excludes, modifies or restricts the terms and conditions of the licence or the requirements of the Customer Services Code, the licensee must publish an annual report containing the information specified.	180	Section 12	4	<ul style="list-style-type: none"> The licensee has not entered into any agreements with customers to provide water services that exclude, modify or restrict the terms and conditions of the licence or the requirements of the Customer Services Code. This obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Supplier of Last Resort (Clause 25)						

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
If the licensee is appointed as the supplier of last resort for a designated area, the licensee must perform the functions of a supplier of last resort, comply with the duties imposed by the Act and carry out its operations under or for the purpose of the last resort plan in accordance with the Act.	181	Section 12	4	<ul style="list-style-type: none"> ▪ The licensee has not been appointed as a supplier of last resort. This obligation is not applicable. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	NA
If the licensee is the supplier of last resort for a designated area, the licensee must perform the functions of the supplier of last resort and must comply with the relevant duties and carry out the relevant operations prescribed.	14	Section 60	4	<ul style="list-style-type: none"> ▪ The licensee has not been appointed as a supplier of last resort. This obligation is not applicable. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	NA
Duties of the Licensee (Clause 26)						
The licensee must comply with the duties imposed on it by the Act in relation to its licence and must carry out its operations in respect of the licence in accordance with the Act.	12	Section 29	4	<ul style="list-style-type: none"> ▪ The duties of the licensee are set out in Division 3 of the Act. The compliance of the licensee with these obligations has already been tested in this audit. ▪ A summary of the licensee's compliance with its duties under the Act is as follows: <ul style="list-style-type: none"> – Section 21: Must provide service – the licensee provides the water service required. See obligations 1, 2 and 3 – Section 22: Provision of service outside of operating areas – this obligation was not rated as there were no requests for services to be provided outside of the operating area. See obligation 4. – Section 23: Works holding – the licensee holds its works and therefore complies with this duty. See obligation 5. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	2

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				<ul style="list-style-type: none"> - Section 24: Asset Management System – the license has in place an effective asset management system. See obligations 6 – 8 - Section 25: Operational audit – the licensee has conducted operational audits as required. See obligation 9 - Section 26: Compliance with code of practice: No code(s) of practice have been made and therefore this obligation cannot be rated. See obligation 10 - Section 27: Compliance with code of conduct: we have noted some non-compliances with the requirements of the Code of Conduct as summarised under obligation 11. - We consider that overall, the licensee has demonstrated minor non-compliance with its duties under the Act. 		
Provision of Water Services (Clause 27)						
The licensee must provide a water service authorised by the licence to persons entitled to the service under the Act, except to the extent otherwise provided for by the Act.	1	Section 21(1)(a)	5	<ul style="list-style-type: none"> ▪ The licensee provides sewerage services and non-potable water services under the Act ▪ The sewerage service is available for connection in almost all residential areas of the town of Morawa. ▪ The licensee's Customer Service Charter sets out the conditions of and process for connecting to its sewerage network. ▪ The licensee can enforce connection to its network if a new 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Review of Customer Service Charter ▪ Review of Sewerage Connections Policy ▪ Review of operating records ▪ Review of operating area map ▪ Inspection of assets 	1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				<p>development is within 90m of the existing network.</p> <ul style="list-style-type: none"> The non-potable water supply service is not available to customers. Land owners are not entitled to this service as they do not pay a water service charge for it. 		
The licensee must offer to provide a water service on reasonable terms, unless provision of the service is not financially viable or is otherwise not practicable, to persons within the operating area who are not entitled to the service under the Act.	2	Section 21(1)(b)	4	<ul style="list-style-type: none"> The water service charges are determined annually by Council as part of its budgeting process. Council determines reasonable charges based on its costs to operate, maintain and renew the system. Water service charges are based on the rateable value of the land determined by the State Valuer. The licensee advises that there have been no instances where it has discontinued providing a service because it has been not practicable or not financially viable. The sewerage network is limited to the extent of the Morawa township. New developments are required to connect to the network if they are within 90m of the network. 	<ul style="list-style-type: none"> Review of annual budget 2013/14 and 2014/15 Interviews with licensee staff Review of Customer Service Charter Review of Sewerage Connections Policy 	1
The licensee must provide, operate and maintain the water service works specified by the Authority in the licence.	3	Section 21(1)(c)	4	<ul style="list-style-type: none"> The licensee has in place an effective asset management system for the operation and maintenance of its water service works. We have undertaken an asset management review at the same time as this operational audit and the findings of this review are presented later in this report. We inspected the licensee's assets at the time of audit including the single pumping stations, the 	<ul style="list-style-type: none"> Interviews with licensee staff Review of operating area map Inspection of assets Review of operation and maintenance records Review of licensee performance monitoring records, e.g. pump run hours 	1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				treatment plant, the recycled water storage dam and reticulation assets and reticulation assets where visible, e.g. pit lids.		
Provision of Water Services Outside Operating Area (Clause 28)						
If the licensee provides a water service outside of the operating area the licensee must apply to amend the licence unless otherwise notified by the Authority.	182	Section 12	4	<ul style="list-style-type: none"> The licensee does not provide a water service outside of the operating area. This obligation is not able to be rated for the audit period. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of operating area map Inspection of assets 	NR
The licensee must notify the Authority as soon as practicable before commencing to provide the water service outside of the operating area of the license.	4	Section 22	4	<ul style="list-style-type: none"> The licensee does not provide a water service outside of the operating area. This obligation is not able to be rated for the audit period. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Works Holding Arrangements (Clause 29)						
All water service works used by the licensee in the provision of a water service must be held by the licensee, or must be covered by an agreement whereby the licensee can operate the works so as to comply with its obligations, or must fit in to other prescribed categories under the Act.	5	Section 23	4	<ul style="list-style-type: none"> The licensee owns all of the water service works used to provide the water service 	<ul style="list-style-type: none"> Interviews with licensee staff Review financial records 	1
Hardship Policy (Clause 30)						
The licensee must comply with the Authority's Financial Hardship Policy Guidelines as they apply to the licensee.	183	Section 12	4	<ul style="list-style-type: none"> The licensee has prepared a Financial Hardship Policy with reference to the Authority's guideline and using the template provided by the Authority. The Financial Hardship Policy has been approved by the Authority. 	<ul style="list-style-type: none"> Review of Financial Hardship Policy Review of guidelines 	1
Memorandum of Understanding (Clause 31)						

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
The licensee must enter into a Memorandum of Understanding with the Department of Health as soon as practicable after the commencement date.	184	Section 12	N/A	<ul style="list-style-type: none"> The licensee does not provide potable water. This obligation is not applicable 	<ul style="list-style-type: none"> Interviews with licensee staff Review asset management plan Inspection of assets 	NA
The Memorandum of Understanding must comply with the specified requirements in relation to legal standing of the document and compliance audits by the Department of Health.	185	Section 12	N/A	<ul style="list-style-type: none"> The licensee does not provide potable water. This obligation is not applicable 	<ul style="list-style-type: none"> Interviews with licensee staff Review asset management plan Inspection of assets 	NA
The licensee must comply with the terms of the Memorandum of Understanding.	186	Section 12	N/A	<ul style="list-style-type: none"> The licensee does not provide potable water. This obligation is not applicable 	<ul style="list-style-type: none"> Interviews with licensee staff Review asset management plan Inspection of assets 	NA
Performance Standards (Schedule 3)						
The licensee must comply with the service and performance standards as set out in Schedule 3.	190	Section 9	N/A	<ul style="list-style-type: none"> There are no performance standards specified in Schedule 3 of the licensee's license. This obligation is not applicable. 	<ul style="list-style-type: none"> Operating license 	NA

5.2 Asset Management System Effectiveness Review

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

Table 5-1 Asset Management System Review Observations

Performance Areas	Observations	Evidence
<p>Asset planning</p> <ul style="list-style-type: none"> ▪ Asset management plan covers key requirements ▪ Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning ▪ Service levels are defined ▪ Non-asset options (e.g. demand management) are considered ▪ Lifecycle costs of owning and operating assets are assessed ▪ Funding options are evaluated ▪ Costs are justified and cost drivers identified ▪ Likelihood and consequences of asset failure are predicted ▪ Plans are regularly reviewed and updated 	<ul style="list-style-type: none"> ▪ The Shire has in place a comprehensive Asset Management Plan that is updated annually. The Asset Management Plan is well structured, covers the performance areas that are the subject of this review and includes up to date data. ▪ The Asset Management Plan reflects the context of the Shire including other Shire activities and the relationship to stakeholders; these are primarily the customers who are served by the sewerage scheme. ▪ Service levels are defined in the Asset Management Plan with respect to: Customer service standards, legislative obligations and the Shire's strategic objectives ▪ The Asset Management Plan includes an assessment of future demand and notes that augmentation of the system is unlikely to be required within the next five years ▪ A financial model has been developed (Financial Planning 2014) which includes long term capital and operating expenditure forecasts. The Asset Management Plan includes up to date financial data from this model. ▪ Costs are identified in the Financial Plan against each asset. The renewals forecast is aged based only. A condition based renewals forecast would provide a more accurate forecast of future liabilities for asset renewal. Further, the renewals model is based on capital costs from when the sewerage scheme was upgraded in 1999. More up to date costs should be used in the model. ▪ The Shire has completed a risk assessment of asset failure. The mitigation and management strategies for the highest risks are included in the Asset Management Plan ▪ The Asset Management Plan is updated annually 	<ul style="list-style-type: none"> ▪ Shire of Morawa Asset management Plan for Sewerage and Effluent Reuse Scheme Assets ▪ Financial Planning spreadsheet (contains both capital and operating expenditure forecasts) ▪ Risk assessment spreadsheet
<p>Asset creation/acquisition</p> <ul style="list-style-type: none"> ▪ Full project evaluations are undertaken for new assets ▪ Evaluations include all life-cycle costs ▪ Projects reflect sound engineering and business decisions ▪ Commissioning tests are documented and completed 	<ul style="list-style-type: none"> ▪ Asset creation and acquisition is undertaken in accordance with the Shire's procurement policies and budgeting process. ▪ Expenditure is subject to review through the annual budgeting process ▪ The Shire's capital expenditure is almost exclusively for renewals. Therefore, the need for the works is genuinely quite clear. ▪ The Asset Management Plan states that new assets will be procured through Government Procurement but no need for new assets has been identified. 	<ul style="list-style-type: none"> ▪ Shire of Morawa Asset management Plan for Sewerage and Effluent Reuse Scheme Assets

Performance Areas	Observations	Evidence
<ul style="list-style-type: none"> Ongoing legal / environmental / safety obligations of the asset owner are assigned and understood 		
<p>Asset disposal</p> <ul style="list-style-type: none"> Under-utilised and under-performing assets are identified as part of a regular systematic review process The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken Disposal alternatives are evaluated There is a replacement strategy for assets 	<ul style="list-style-type: none"> The Shire regularly inspects its facility assets, typically daily at the treatment plant. Any asset deficiencies of condition and performance are noted The Shire undertakes limited inspection of other assets, e.g. by CCTV for sewers or by monitoring operational data such as pump run times or amps drawn Asset replacement is planned for on the basis of asset age only. We recommend that the Shire undertake a condition assessment of its assets (all facility assets and a sample only of sewer mains) to inform its renewals planning and to identify any possible health and safety hazards. 	<ul style="list-style-type: none"> Shire of Morawa Asset Management Plan for Sewerage and Effluent Reuse Scheme Assets Daily inspection form
<p>Environmental analysis</p> <ul style="list-style-type: none"> Opportunities and threats in the system environment are assessed Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved Compliance with statutory and regulatory requirements Achievement of customer service levels 	<ul style="list-style-type: none"> The Shire has identified statutory and regulatory requirements in its Asset Management Plan. These requirements are up to date. We recommend that the Shire prepare a compliance register based on the Authority's Compliance Report Manual to assist in keeping track of its statutory and regulatory obligations. The observations table in this audit report may be used as the basis for this. The Shire has completed a risk assessment for each of its asset types. The risk assessment considers the failure mode of each asset, existing controls relating to the failure, the risk of each failure, the adequacy of the controls, the assessed risk and documented mitigation and management strategies. The mitigation and management strategies are typically operation and maintenance activities. We consider that this assessment provides the Shire with a sound understanding of its operating environment. However, there is limited evidence that the outcomes of the risk assessment inform how the Shire's assets are managed. For example, the only mitigation and management strategy noted is to inspect for blockages regularly. We consider that the Shire should review the risk assessment to identify whether other mitigation measures, management strategies or contingencies plans are appropriate. 	<ul style="list-style-type: none"> Shire of Morawa Asset Management Plan for Sewerage and Effluent Reuse Scheme Assets Risk assessment spreadsheet
<p>Asset operations</p> <ul style="list-style-type: none"> Operational policies and procedures are documented and linked to service levels required Risk management is applied to prioritise operations tasks 	<ul style="list-style-type: none"> Operational procedures are set out in the 'Procedures, rules and maintenance' document. This document adequately describes operations and maintenance activities for the sewerage and recycled water scheme. However, it was last revised in 2009 and should be reviewed. 	<ul style="list-style-type: none"> Procedures, rules and maintenance document Shire of Morawa Asset Management Plan for Sewerage and Effluent Reuse Scheme Assets

Performance Areas	Observations	Evidence
<ul style="list-style-type: none"> ▪ Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data ▪ Operational costs are measured and monitored ▪ Staff resources are adequate and staff receive training commensurate with their responsibilities 	<ul style="list-style-type: none"> ▪ We note that the risk assessment referred to under Environmental Analysis makes reference to relevant operational tasks demonstrating that the Shire has considered risk in planning its operations ▪ The Shire inspects the network and treatment plant regularly. Observations are recorded on a record sheet ▪ A register of planned maintenance activities has been prepared. A hard copy is kept at the depot and staff use this schedule to record the activities undertaken. ▪ However, we observed that most assets are run to failure. This asset management approach is possible because there is substantial redundancy in the system, e.g. the storage volume in the ponds and the effluent reuse dam. The Shire keeps spares of most critical equipment (e.g. pumps) and there are contractors available in town to carry out repair works at short notice. ▪ The Shire has an asset register documenting asset type, location, material and accounting data. However, asset condition is not documented. ▪ Staff costs are recorded in the Shire's financial system. However, the Shire does not undertake activity based costing or track staff costs against operational activities for the sewerage scheme. This is appropriate for the size of the system. ▪ The Works Supervisor is responsible for day to day operation and inspection of the sewerage scheme. He has adequate experience and training to fulfil his duties. The overall management of the scheme was the responsibility of the Deputy CEO, however this position is currently vacant. 	<ul style="list-style-type: none"> ▪ Daily inspection forms ▪ 'Maintenance management' spreadsheet which records planned maintenance ▪ Asset register spreadsheet
<p>Asset maintenance</p> <ul style="list-style-type: none"> ▪ Maintenance policies and procedures are documented and linked to service levels required ▪ Regular inspections are undertaken of asset performance and condition ▪ Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule ▪ Failures are analysed and operational / maintenance plans adjusted where necessary ▪ Risk management is applied to prioritise maintenance tasks 	<ul style="list-style-type: none"> ▪ Operational procedures are set out in the 'Procedures, rules and maintenance' document. This document adequately describes operations and maintenance activities for the sewerage and recycled water scheme. However, it was last revised in 2009 and should be reviewed. ▪ The Shire undertakes visual inspection of the network and treatment plant regularly. Observations are recorded on a record sheet ▪ We noted at our site inspection that a number of assets at the pumping station appear to be close to the end of their useful life or possibly a health and safety hazard and recommend that the Shire has these assets inspected by an experienced engineer. ▪ A register of planned maintenance activities has been prepared. A hard copy is kept at the depot and staff use this schedule to record the activities undertaken. ▪ However, we observed that most assets are run to failure. This asset management approach is possible because there is substantial redundancy in the system, e.g. the storage volume in the ponds and the effluent reuse dam. The Shire keeps spares of 	<ul style="list-style-type: none"> ▪ Shire of Morawa Asset Management Plan for Sewerage and Effluent Reuse Scheme Assets ▪ Daily inspection forms ▪ 'Maintenance management' spreadsheet which records planned maintenance ▪ Asset register spreadsheet

Performance Areas	Observations	Evidence
<ul style="list-style-type: none"> ▪ Maintenance costs are measured and monitored 	<ul style="list-style-type: none"> most critical equipment (e.g. pumps) and there are contractors available in town to carry out repair works at short notice. ▪ When assets fail, the Shire investigates to identify the cause of failure and uses this information to refine its asset management practices. ▪ Staff costs are recorded in the Shire's financial system. However, the Shire does not undertake activity based costing or track staff costs against operational activities for the sewerage scheme. This is appropriate for the size of the system. ▪ We note that the risk assessment referred to under Environmental Analysis makes reference to relevant maintenance tasks demonstrating that the Shire has considered risk in planning its maintenance 	
<p>Asset management information system</p> <ul style="list-style-type: none"> ▪ Adequate system documentation for users and IT operators ▪ Input controls include appropriate verification and validation of data entered into the system ▪ Logical security access controls appear adequate, such as passwords ▪ Physical security access controls appear adequate ▪ Data backup procedures appear adequate and backups are tested ▪ Key computations related to licensee performance reporting are materially accurate ▪ Management reports appear adequate for the licensee to monitor licence obligations 	<ul style="list-style-type: none"> ▪ The Shire's Asset management information system is based around the following components: <ul style="list-style-type: none"> – The Asset Register spreadsheet which records all assets, their age, location and construction material as well as valuation data – Asset condition information is stored in the 'condition and performance' spreadsheet – "As Constructed" drawings are stored in the Shire office – The maintenance schedule spreadsheet – Risk Assessment for the scheme and the assets is included in the Risk Assessment spreadsheet. – Asset Valuations are included in the Asset Register for all assets. ▪ The asset management information is stored on the Shire's network drive and subject to the Shire's standard data back-up and data retention practices. ▪ Other documents relating to management of the sewerage scheme are also stored on the network drive. This includes records of performance and reporting data as well as correspondence. ▪ The network drive is regularly backed up as part of the Shire's standard IT maintenance procedures. ▪ Access to the systems is governed by the Shire-wide access protocols. Users are required to log on to the network to gain access to the network drive. ▪ We consider that the Shire's asset management information system is fit for purpose given the Shire's size and water service activities. 	<ul style="list-style-type: none"> ▪ Live demonstration of licensee's systems including network drive ▪ Shire of Morawa Asset Management Plan for Sewerage and Effluent Reuse Scheme Assets ▪ Asset register spreadsheet ▪ Maintenance spreadsheet ▪ Condition and performance spreadsheet ▪ As constructed drawings

Performance Areas	Observations	Evidence
<p>Risk management</p> <ul style="list-style-type: none"> ▪ Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system ▪ Risks are documented in a risk register and treatment plans are actioned and monitored ▪ The probability and consequence of risk failure are regularly assessed 	<ul style="list-style-type: none"> ▪ The Shire has a risk assessment relevant to its assets that is in accordance with the risk assessment approach set out in ISO31000 (although the Asset Management Plan references AS/NZ 4360:2004). ▪ The risk assessment has sections for both operating licence risks and asset risks. The operating licence risks refer to the previous licence and should be updated. ▪ The asset risks have been determined for each individual asset (e.g. section of pipe). No failure mode has been identified. A failure mode should be identified as different failure modes will likely have different risks associated with them. Also, different failure modes will likely suggest different risk management strategies. ▪ We observed that different assets from the same class have been assigned different consequences of failure and therefore have different risk levels associated with the asset. This is good practice. ▪ The risk assessment has not been extended to the effluent reuse scheme. ▪ It appears that the risk register does not inform management of the assets, e.g. through treatment plans or contingency plans. 	<ul style="list-style-type: none"> ▪ Risk assessment spreadsheet
<p>Contingency planning</p> <ul style="list-style-type: none"> ▪ Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks 	<ul style="list-style-type: none"> ▪ No evidence of formal contingency plans for the water or sewerage schemes was provided at our review 	<ul style="list-style-type: none"> ▪ Risk assessment spreadsheet
<p>Financial planning</p> <ul style="list-style-type: none"> ▪ The financial plan states the financial objectives and strategies and actions to achieve the objectives ▪ The financial plan identifies the source of funds for capital expenditure and recurrent costs ▪ The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets) ▪ The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period ▪ The financial plan provides for the operations and maintenance, administration 	<ul style="list-style-type: none"> ▪ The Shire's objectives with respect to financial management of the sewerage scheme are detailed in the Asset Management Plan and in its annual budget (under the Community Amenities category). ▪ The Shire's sewerage and recycled water scheme is subject to Council-wide annual budgeting processes and objective ▪ The Shire has a financial planning spreadsheet which covers both operating and capital expenditure forecasts. This financial plan was updated for the 2014/14 financial year ▪ The financial plan includes long term projections for both operating and capital expenditure. However, the financial plan does not include forecasts of revenue and therefore profit/loss. It also does not include forecasts or actual movements in the sewerage reserve. ▪ The capital expenditure forecast includes for renewal only which is reasonable given current growth rates. The forecast annuity to cover future renewals is \$147,000. However, the Shire contributed \$36,056 to the reserve in 2013/14 and has budgeted a contribution of \$1,706 for 2014/15. On the basis of this two year period, the sewerage system is not financially sustainable. 	<ul style="list-style-type: none"> ▪ Shire of Morawa Asset Management Plan for Sewerage and Effluent Reuse Scheme Assets ▪ Shire of Morawa budget 2014/15 ▪ Financial planning spreadsheet

Performance Areas	Observations	Evidence
<p>and capital expenditure requirements of the services</p> <ul style="list-style-type: none"> Significant variances in actual / budget income and expenses are identified and corrective action taken where necessary 	<ul style="list-style-type: none"> However, we note the following regarding the calculated renewals annuity: <ul style="list-style-type: none"> Costs are based on a 1999 valuation and have been indexed to current values. The currency of the replacement/renewal costs should be reviewed Replacement is based on asset age only, not condition. Condition assessment should be used to inform the renewals forecast to provide a more accurate forecast. 3.5% is used to inflate current costs to arrive at future costs. A lower inflation rate is likely to be appropriate (in conjunction with an appropriate discount rate). <p>We recommend that the Shire update its asset register and renewals forecast with: up to date replacement costs, condition data, replacement dates based on condition and appropriate inflation/discount rates.</p> Income and expenses for the sewerage scheme are accounted for under the Community Amenities cost centre. This cost centre includes other services such as waste collection. Therefore, it is not possible to separately identify income and profit/loss for the sewerage scheme. The sewerage scheme is separately accounted for though. Variances to budget are detailed for the Community Amenities cost centre 	
<p>Capital expenditure planning</p> <ul style="list-style-type: none"> There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates The plan provides reasons for capital expenditure and timing of expenditure The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned 	<ul style="list-style-type: none"> The Shire has a financial planning spreadsheet which covers both operating and capital expenditure forecasts. This financial plan was updated for the 2014/14 financial year The capital expenditure forecast includes for renewal only which is reasonable given current growth rates. We note the following regarding the calculated renewals annuity: <ul style="list-style-type: none"> Costs are based on a 1999 valuation and have been indexed to current values. The currency of the replacement/renewal costs should be reviewed Replacement is based on asset age only, not condition. Condition assessment should be used to inform the renewals forecast to provide a more accurate forecast. 3.5% is used to inflate current costs to arrive at future costs. A lower inflation rate is likely to be appropriate (in conjunction with an appropriate discount rate). <p>We recommend that the Shire update its asset register and renewals forecast with: up to date replacement costs, condition data, replacement dates based on condition and appropriate inflation/discount rates.</p> 	<ul style="list-style-type: none"> Shire of Morawa Asset Management Plan for Sewerage and Effluent Reuse Scheme Assets Shire of Morawa budget 2014/15 Financial planning spreadsheet
<p>Review of the asset management system</p> <ul style="list-style-type: none"> A review process is in place to ensure that the asset management plan and the asset 	<ul style="list-style-type: none"> The Asset Management Plan is updated annually. 	<ul style="list-style-type: none"> Shire of Morawa Asset Management Plan for Sewerage and Effluent Reuse

Performance Areas	Observations	Evidence
<p>management system described therein are kept current</p> <ul style="list-style-type: none"> ▪ Independent reviews (e.g., internal audit) are performed of the asset management system 	<ul style="list-style-type: none"> ▪ The Asset Management System is kept up to date by the Shire. This has previously been the Deputy CEO's responsibility. However, this position is currently vacant and therefore this responsibility needs to be reassigned. 	<p>Scheme Assets. Revisions 2014 and 2013</p>

6 Recommendations

6.1 Performance Audit

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

A. Resolved during current audit period			
Manual Ref.	Non-Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non-Compliance or inadequacy of controls)	Date Resolved (& management action taken)	Auditor's Comments
B. Unresolved at end of current Audit period			
Reference (no./year)	Non-Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non-Compliance or inadequacy of controls)	Auditor's recommendation	Management action taken by end of Audit Period
1/2015	<p>B2</p> <p><i>Water Services Operating License 2009 Schedule 3 (Clause 4)</i></p> <p><i>We consider that the licensee provided only one of the required two consultation mechanisms identified in clause 4.1(b).</i></p>	<p>We note that this obligation is no longer in effect and also that the licensee has a close working relationship with its community.</p>	
2/2015	<p>B2</p> <p><i>Water Services Licensing Act 1995, Clause 5.1</i></p> <p><i>Licensee has not complied with all applicable legislation.</i></p>	<p>We recommend that the licensee prepare a compliance register and reporting procedure based on the Authority's Compliance Reporting Manual to assist in keeping track of its statutory and regulatory obligations. The observations detailed in Table 5-1 in this audit report may be used as the basis for this. Relevant correspondence should be retained and logged in a suitable named and located folder on the licensee's server</p>	

B. Unresolved at end of current Audit period

3/2015	<p>B2 <i>Water Services Act 2012, Clause 5.3</i> <i>Licensee has not complied with all of the obligations of the Water Services Code of Conduct (Customer Service Standards) 2013</i></p>	<p>We recommend that the licensee address the recommendations 07/2015 to 16/2015.</p>
4/2015	<p>B2 <i>Water Services Act 2012, Section 82 (4) & (5)</i> <i>The timeframe for returning plans in the Act is more strict than required by Regulation 20 under the Building Act 2011. Because the licensee has aligned its approvals process with the Building Act 2011, it does not comply with this obligation.</i></p>	<p>We recommend that the licensee modify its processes for assessing development work so that it complies with the time requirements of the Water Services Act 2012, Sections 82(4) & (5)</p>
5/2015	<p>B2 <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 7</i> <i>Licensee must have written information for customers about the specified matters under section 21(2)(c) or (3)(c) and section 73 of the Act.</i></p>	<p>Update the existing Customer Service Charter to reflect the required information about connections as required under section 21(2)(c) or (3)(c) and section 73 of the Act. (obligation 93 of the 2014 compliance manual). Alternatively, the licensee may prepare a new information document covering these topics.</p>
6/2015	<p>B2 <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 18(2)</i> <i>License does not have a formal written procedure for the review of a bill on the customer's request.</i></p>	<p>Prepare a written procedure for review of a bill consistent with the requirements of the Code, Compliance Manual 2014 obligations 114 to 116</p>
7/2015	<p>B2 <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clauses 18(3) & (6)</i> <i>License does not have a formal written procedure for the review of a bill on the customer's request.</i></p>	<p>Refer to recommendation 06/2015</p>
8/2015	<p>B2 <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 18(4)</i></p>	<p>Refer to recommendation 06/2015</p>

B. Unresolved at end of current Audit period

License does not have a formal written procedure for the review of a bill on the customer's request.

9/2015	<p><i>Non-compliance – B2</i></p> <p><i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 21(1)</i></p> <p><i>The licensee does not have direct debit payment method to allow a customer to pay a bill.</i></p>	<p>In addition to the other bill payment options, the licensee to make provision of direct debit services available as identified in its Financial Hardship Policy and as consistent with the Authority's Financial Hardship Policy Guidelines.</p>
10/2015	<p><i>B3</i></p> <p><i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(1)</i></p> <p><i>The Licensee's complaints procedure is not fully documented</i></p>	<p>Prepare and implement a complaints handling procedure consistent with the requirements of AS ISO 10002 and Clause 35 of the Water Service Code of Conduct.</p>
11/2015	<p><i>B3</i></p> <p><i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(2)</i></p> <p><i>The Licensee's complaints procedure is not fully documented or consistent with AS ISO 10002</i></p>	<p>Refer to recommendation 10/2015</p>
12/2015	<p><i>B3</i></p> <p><i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(3)</i></p> <p><i>Licensee's complaints procedure does not fully address the matters specified in relation to lodgement of complaints, responding to complaints, dispute resolution arrangements and resolving complaints.</i></p>	<p>Refer to recommendation 10/2015</p>
13/2015	<p><i>Non-compliance – B3</i></p> <p><i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(4)</i></p> <p><i>Licensee's complaints procedure does not fully address the requirements about informing customers that they do not have to use the licensee's complaints procedure, the procedures under the Act and the costs and benefits of the different complaints resolution approaches.</i></p>	<p>Refer to recommendation 10/2015</p>

B. Unresolved at end of current Audit period

14/2015	<p><i>Non-compliance – B3</i></p> <p><i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(6)</i></p> <p><i>Licensee's complaints procedure consistent with Clause 35 is not publically available</i></p>	Refer to recommendation 10/2015
15/2015	<p><i>B2</i></p> <p><i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 26(3)</i></p> <p><i>The Financial Hardship Policy was approved by the Authority on 4 July 2014. This was after the due date</i></p>	No recommendation required.
16/2015	<p><i>B2</i></p> <p><i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 37(1)</i></p> <p><i>The licensee does not make all of the prescribed information publicly available</i></p>	<p>Provide the following information publically:</p> <ul style="list-style-type: none"> • Bill payment methods • Exemptions, rebates and discounts available • Large print services
17/2015	<p><i>B2</i></p> <p><i>Water Services Act 2012 Section 12, (Licence Clause 15)</i></p> <p><i>The licensee did not inform the Authority of general works as required</i></p>	The licensee should update its works procedures to include notifying the ERA of general works as part of its other notification processes.
18/2015	<p><i>B2</i></p> <p><i>Water Services Act 2012 Section 29, (Licence Clause 26)</i></p> <p><i>The licensee has not complied with all of the duties imposed on it, specifically the requirements of the Code of Conduct as set summarised in Obligation 11.</i></p>	Refer to Recommendations 07/2015 to 16/2015

6.2 Asset Management System

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

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

B. Unresolved at end of current Audit period

Reference (no./year)	Asset System Deficiency (Rating / Asset Management System Component & Effectiveness Criteria / Details of Asset System Deficiency)	Auditor's recommendation	Management action taken by end of Audit Period
19/2015	<p>B3</p> <p><i>Asset disposal -There is a replacement strategy for assets</i></p> <p><i>Asset replacement is planned for on the basis of asset age only.</i></p>	<p>We recommend that the Shire undertake a condition assessment of its assets (all facility assets and a sample only of sewer mains) to inform its renewals planning and to identify any possible health and safety hazards.</p>	
20/2015	<p>B3</p> <p><i>Environmental analysis - Opportunities and threats in the system environment are assessed</i></p> <p><i>There is limited evidence that the outcomes of the risk assessment inform how the Shire's assets are managed. For example, the only mitigation and management strategy noted is to inspect for blockages regularly.</i></p>	<p>We consider that the Shire should review the risk assessment to identify whether other mitigation measures, management strategies or contingencies plans are appropriate.</p>	
21/2015	<p>B2</p> <p><i>Environmental Analysis - Compliance with statutory and regulatory requirements</i></p> <p><i>The operational audit has found that the Shire has not complied with all of its regulatory requirements.</i></p>	<p>We recommend that the Shire prepare a compliance register based on the Authority's Compliance Report Manual to assist in keeping track of its statutory and regulatory obligations. The observations table in this audit report may be used as the basis for this.</p>	
22/2015	<p>B2</p> <p><i>Asset operations – Operational policies and procedures are documented and linked to service levels required</i></p> <p><i>Operational procedures are set out in the 'Procedures, rules and maintenance' document. This document adequately describes operations and maintenance activities for the sewerage scheme.</i></p>	<p>This document was last revised in 2009 and should be reviewed.</p>	
23/2015	<p>B3</p> <p><i>Asset operations - Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data</i></p> <p><i>The Shire has an asset register documenting asset type, location, material and financial information. However, asset condition is not documented. There is a separate condition</i></p>	<p>As for 19/2015:</p> <p>We recommend that the Shire undertake a condition assessment of its assets (all facility assets and a sample only of sewer mains) to inform its renewals planning and to identify any possible health and safety hazards.</p>	

B. Unresolved at end of current Audit period

and performance spreadsheet with some condition information but this is out of date

24/2015	<p>B2 Asset maintenance - Maintenance policies and procedures are documented and linked to service levels required</p> <p>Maintenance procedures are set out in the 'Procedures, rules and maintenance' document. This document adequately describes operations and maintenance activities for the sewerage scheme.</p>	<p>As for 22/2015 - This document was last revised in 2009 and should be reviewed.</p>
25/2015	<p>C3 Asset maintenance - Regular inspections are undertaken of asset performance and condition</p> <p>We noted at our site inspection that a number of assets at the pumping station appear to be close to the end of their useful life or possibly a health and safety hazard and recommend that the Shire has these assets inspected by an experienced engineer.</p>	<p>As for 19/2015:</p> <p>We recommend that the Shire undertake a condition assessment of its assets (all facility assets and a sample only of sewer mains) to inform its renewals planning and to identify any possible health and safety hazards.</p>
26/2015	<p>B3 Risk management - Risks are documented in a risk register and treatment plans are actioned and monitored</p> <p>It appears that the risk register does not inform management of the assets, e.g. through treatment plans or contingency plans.</p>	<p>We recommend that the Shire updates its risk assessment to:</p> <ul style="list-style-type: none"> ▪ Account for its new operating licence ▪ Extend the risk assessment to the effluent reuse scheme ▪ Identify the mode of failure on which the risk assessment is based • Identify appropriate risk management strategies and treatment plans for high risks
27/2015	<p>B3 Risk management - The probability and consequence of risk failure are regularly assessed</p> <p>The asset risks have been determined for each individual asset (e.g. section of pipe). No failure mode has been identified. A failure mode should be identified as different failure modes will likely have different risks associated with them. Also, different failure modes will likely suggest different risk management strategies. The risk assessment has not been extended to the effluent reuse scheme.</p>	<p>As for recommendation 26/2015</p>

B. Unresolved at end of current Audit period

28/2015	<p>C3 Contingency planning- Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks</p> <p>No evidence of formal contingency plans was provided at our review</p>	The Shire should prepare and test contingency plans for its higher risks
29/2015	<p>B3 Financial planning - The financial plan identifies the source of funds for capital expenditure and recurrent costs</p> <p>The financial plan does not identify sources of funds for capital expenditure and recurrent costs</p>	The financial plan should be updated to identify the sources of funds for capital expenditure and recurrent costs
30/2015	<p>B3 Financial planning - The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets)</p> <p>The financial plan includes long term projections for both operating and capital expenditure. However, the financial plan does not include forecasts of revenue and therefore profit/loss. It also does not include forecasts or actual movements in the sewerage reserve.</p>	The financial plan should be revised to include projections for revenue, profit/loss and financial position.
31/2015	<p>B3 Financial planning - The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period</p> <p>Income and expenses for the sewerage scheme are accounted for under the Community Amenities cost centre. This cost centre includes other services such as waste collection. Therefore, it is not possible to separately identify income and profit/loss for the sewerage scheme. The sewerage scheme reserve fund is separately accounted for though.</p>	As for 30/2015
32/2015	B3	We recommend that the Shire track actual expenditure for the sewerage

B. Unresolved at end of current Audit period

Financial planning - Significant variances in actual / budget income and expenses are identified and corrective action taken where necessary

Variances to budget are detailed for the Community Amenities cost centre

scheme against budget in a spreadsheet

C3

Capital expenditure planning - The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan

We note the following regarding the calculated renewals annuity:

- *Costs are based on a 1999 valuation and have been indexed to current values. The currency of the replacement/renewal costs should be reviewed*
- *Replacement is based on asset age only, not condition. Condition assessment should be used to inform the renewals forecast to provide a more accurate forecast.*
- *3.5% is used to inflate current costs to arrive at future costs. A lower inflation rate is likely to be appropriate (in conjunction with an appropriate discount rate).*

33/2015

We recommend that the Shire update its asset register and renewals forecast with: up to date replacement costs, condition data, replacement dates based on condition and appropriate inflation/discount rates.

7 Confirmation of the Audit/Review

I confirm that the audit/review carried out at the Shire of Morawa on 12 and 13 January 2015 and recorded in this report is an accurate presentation of our findings and opinions.



Stephen Walker
Cardno (QLD) Pty Ltd
515 St Paul's Terrace
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20 March 2015

Operational Audit &
Asset Management
System Review

APPENDIX A
RISK MANAGEMENT
FRAMEWORK



Types of Compliance Risk

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

Risk Assessment Rating Scales

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

Consequence Rating

The consequence rating scale is outlined below.

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

Likelihood Ratings

The likelihood rating scale is described below.

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

Inherent Risk Assessment Rating and Description

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

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

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

Adequacy Ratings for Existing Controls

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

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

Assessment of Audit Priority

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

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

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APPENDIX B
ASSET
MANAGEMENT
PERFORMANCE
RATING
DEFINITIONS



Compliance Assessment Rating Scale

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

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

Asset Management Review Rating Scales

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

Asset Management Adequacy Ratings

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

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

Asset Management Performance Ratings

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