

# Audit and Review Report

Shire of Koorda

3604-70



Prepared for  
Economic Regulation Authority of Western  
Australia

June 2015

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# Executive Summary

## General

The Shire of Koorda holds a water services operating licence (WL21) 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 Koorda. The Shire provides sewerage services but does not reuse treated effluent. 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 4.35km gravity reticulation system and a treatment plant (which includes two petrol powered pumps). The scheme collects and treats approximately 25,000 kL per annum of residential and commercial liquid wastes for approximately 250 people. The primary and overflow ponds have a storage capacity of 8,784m<sup>3</sup>.

The licence was amended by substitution on 18 November 2013. The previous audit referred to “two pump stations” but have confirmed, with operating staff, that the “pump stations” are in fact, two small petrol powered pumps located at the entrance of the treatment plant. The entire sewer network is gravity, with large sections of the trunk main above ground. The pumps represent the only mechanical works in the sewage collection and treatment system. Note that the effluent is entirely evaporated. Primary sludge is dried in the sun and transferred to landfill on a semi-annual basis. The non-potable “system” consists of three small ponds for collecting rainwater run-off, and polypropylene pipes (usually unburied) connecting the ponds to the sports oval. The water is pumped through the pipes using mobile petrol powered pumps. The Shire does not have any non-potable water customers.

## Audit and Review Objectives

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

This audit has been conducted in order to assess:

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

This report outlines the findings of the audit and review of the Shire of Koorda to fulfil the above objectives, conducted on January 19 and 20, 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 ERA Audit Guidelines – Electricity, Gas and Water Licences (August 2010) and 2014 Audit and Review Guidelines - Water Licences – Final (July 2014).

## Operational Audit

### *Findings of the Operational Audit*

#### *Previous Audit findings*

Our update on previous non-compliance items is contained in Table 3-1 on page 15. A short summary is presented below:

1.1 During the first year of the period of the licence 1/12/2011 to 18/11/2013 (“licence I”), the performance standard for sewer blockages was not met (minor non-compliance), to have fewer than 40 blockages per 100 km of sewer main per year. It was recommended to continue monitoring and improve corrective actions to reduce blockages. The status of this recommendation remains ongoing.

1.2 during the previous audit the asset management system had not been updated to include the required time frames for notification of changes to the Authority. The Asset Management plan was updated to include a requirement to inform the ERA of significant changes within 10 days. This recommendation has been completed.

1.3 The performance report for the year ended 30 June 2009 was submitted after the due date. The Shire submitted its performance report for 2013-2014 on time, and retained a confirmation letter from the ERA on file. The Compliance schedule was updated to assist the Shire in meeting reporting deadlines. However, we did not see records of ERA report receipts on file (which would confirm on-time submission). This does not mean the reports were not submitted on time, only that the ERA receipts were not available during the audit.

### ***Findings of the Current Audit***

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

Regarding the Water Services licence amended on the 15<sup>th</sup> May 2009 and valid during the period covered by this audit from the 1<sup>st</sup> of December 2011 to the 18<sup>th</sup> of November 2013, issued by the ERA under the Water Services Licencing Act 1995 (WA).

1. A1/2015 – Licensee exceeded the Performance standard for sewer blockages
2. A2/2015 - The licensee was unable to confirm whether customers have been provided with a copy of the Customer Service Charter, or a summary document, within a three year period up to November 2013.
3. A3/2015 - Customer Service Charter not available to its customers in the three ways prescribed in the Act.
4. A4/2015- Licensee has not provided one of the other two consultation mechanisms identified in Clause 4.1(b) of the Act.
5. A5/2015, 20/2015 - Licensee has not complied with all applicable legislation.

Regarding the licence in force from the 18<sup>th</sup> of November 2013 to the end of the audit period (31<sup>st</sup> of November 2014), issued under the Water Services Act 2012.

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

6. A6/2015 - Licensee has not complied with all of the obligations of the Water Services Code of Conduct (Customer Service Standards) 2013
7. A7/2015 - 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***

8. A6/2015 – Clause 7 (information about connections) The Customer Service Charter does not go into detail about some of the information specified in the water services code of conduct.
9. A7/2015 – Clause 18(2) (Review of bills). The licensee does not have a written procedure for review of a bill.
10. A8/2015 - Clause 18(3) & (6) (Review of bills). The licensee does not have a written procedure for review of a bill.

11. A9/2015, A10/2015, A11/2015 - Clause 18(4). The licensee does not have a written procedure for review of a bill.
12. A12/2015 – Clause 21(1) (Payment methods). The licensee does not offer direct debit as per the forms of prescribed payments.
13. A13/2015 – Clause 35(1) (Procedure for dealing with complaints). The complaints procedure is not fully documented.
14. A14/2015, A15/2015, A16/2015, A17/2015 – Clause 35(2),(3),(4) & (6) (procedure for dealing with complaints). Licensee's complaints procedure does not meet the requirements of AS ISO 10002 and Clause 35 of the Water Services Code of Conduct
15. A18/2015 – Clause 37(1) (information to be made publically available). The licensee does make all of the prescribed information available.

### **Water Services Act 2012**

1. A19/2015 - The licensee has not complied with all of the duties imposed on it by the Act and it was unable to meet all Code requirements

### **Summary Opinion of the Control Environment**

With respect to the operation of the licenced services during the audit period, the Auditors conducted tests and assessed the control environment, the procedures, policies and performance of the Shire of Koorda and found that it had an adequate control environment to ensure that the majority of licence obligations are met and that it generally operates in accordance with the operating licence. For the non-compliances observed, we found that the controls were generally adequate. We did not observe any instances where we considered the controls in place to be inadequate.

### **Operational Audit - Overall Compliance**

The overall compliance of the Shire of Koorda with its licence is summarised in Section 4 of this report. 12 items were rated as non-compliant (all minor non-compliances with a minor impact on customers and third parties). All other items were assessed as compliant, not applicable or not able to be rated.

### **Asset Management System Review**

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

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

The previous asset management system review identified the following recommendations:

2.1 The asset register still refers to condition ratings from 2007 despite a commitment to annual inspections. If more recent condition inspections have been done, this has not been reflected in the register we viewed during the audit. This was identified during the previous audit and has not been addressed. This recommendation is ongoing.

2.2 During the previous audit the AMP was not updated to refer to the 2009 licence. It has since been updated to refer to the 2009 license but it does not refer to the latest licence (2013). This recommendation is ongoing.

2.3 During the previous audit it was noted that the contingency plan had not been subject to any testing. We observed the contingency plan but no written evidence of it being tested. Shire staff stated that the contingency plan had been subjected to a desktop testing – however minutes / findings were unavailable. This recommendation from the last audit is therefore still applicable. This recommendation is ongoing.

As mentioned under (5) above, the Asset Management Plan was updated to reflect the timeframes required (section 7.3 of the Koorda AMP).

## Findings of the Current Asset Management System Review

The review of the Shire of Koorda's asset management system identified that all the asset management processes were rated B2 or better. Process improvement opportunities have been included in the review. The following recommendations and process improvement opportunities were identified during the current audit:

Reference (no./year)	Asset Management System Component	Issue	Auditor's recommendation
R1/2015	A1 Asset planning - Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning	Despite seeking public comment through articles in the local paper (2007, 2011) there has been no feedback received. Seeking comments in such a manner may not be effectual.	We recommend that the Asset Management Plan be updated to describe how customer consultation is carried out
R2/2015	B2 Asset creation/ acquisition - Full project evaluations are not undertaken for new assets	Although no new assets were created in the audit period and there are no plans for major new assets, we note that there are no standardised criteria for capital expenditures or forecasts for capital expenditures.	We recommend that the Licensee develop criteria for capital expenditures and a method for forecasting capital expenditures.
R3/2015	A2 Asset disposal - Under-utilised and under-performing assets are identified as part of a regular systematic review process	Operational data such as pump station operating times and fuel used is not documented.	We recommend that the Licensee monitor and record operational data such as pump station operating times and fuel consumption.
R4/2015	B2 Environmental analysis - Achievement of customer service levels	The Shire does not have a register for recording customer contact and job dispatching.	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.
R5/2015	A2 Asset operations - Operational policies and procedures are documented and linked to service levels required	Operation and maintenance procedures are not systematically documented.	We recommend that the Licensee develop O&M procedures for their process equipment.

Reference (no./year)	Asset Management System Component	Issue	Auditor's recommendation
R6/2015	A1 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	Assets are documented in an Asset Register. We note that the Shire does not have a digitized copy of as-constructed drawings and asset maps.	We recommend that the Licensee ensure that they have digital copies of all their as-constructed drawings.
R7/2015	A1 Asset operations - Staff resources are adequate and staff receive training commensurate with their responsibilities	Documenting of training, responsibilities and skills offers minor scope for improvement	We recommend that the Licensee document the skills/qualifications of the staff members as a result of training they have received.
R8/2015	A1 Asset operations - Operational costs are measured and monitored	There does not appear to be a formal works register. There are timesheets (activity based costing)	We recommend that the licensee implements a fit for purpose works register to identify planned operations and maintenance activities and tracks their completion.
R9/2015	A2 Asset maintenance - Maintenance policies and procedures are documented and linked to service levels required	A detailed planned maintenance schedule does exist and is documented however each activity is not linked to a level of service (or current performance).	We recommend that the Licensee document how maintenance activities relate to desired levels of services.
R10/2015	B2 Asset maintenance - Regular inspections are undertaken of asset performance and condition	A performance and condition assessment has not been undertaken since 2007	We recommend that the licensee undertakes a performance and condition of its assets (sample only for sewers or exclude)



Reference (no./year)	Asset Management System Component	Issue	Auditor's recommendation
R11/2015	B2 Asset maintenance - Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule	There is no documentation of maintenance activities.	We recommend that the licensee begin to document their maintenance activities. A maintenance activity checklists could be created and posted at the relevant areas so that it could be signed off and dated each time the activities are carried out. Although the Shire may perform the maintenance, currently it is hard to demonstrate this.
R12/2015	A2 Contingency planning - Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks	If the Shire has tested any of its contingency plans in the field, there is no documented evidence of how the plan performed.	We recommend that the licensee conducts field exercises to test its contingency plans in addition to desktop exercises.
R13/2015	A2 Financial planning - The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services	We note the GHD financial plan calculated an annuity of \$83,307 p.a. this is different from the figure reported in the AMP of \$20,638.	Shire to confirm the value of the annuity as \$80k or \$20k

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

Based on the outcomes of the review, the Auditors found that the asset management processes and measures have been implemented and are being followed. It is the Auditor's opinion that the asset management system is generally operating satisfactorily.

However, there were a number opportunities for improvement identified for the majority of the licensee's asset management processes. 9 of the 12 recommendations the Auditor has identified as opportunities for process improvement with all 12 components rated B2 or better.

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

A summary of our assessment of the effectiveness of the Shire of Koorda's Asset Management System is provided in Section 4. All elements were rated "B" or better for policy and procedures. All elements were rated "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 work of the ERA is important to ensure that WA has a fair, competitive and efficient environment for consumers and businesses.

The Shire of Koorda holds a water services operating licence (WL21) which permits it to provide sewerage services and non-potable water supply services (although no non-potable services are provided<sup>1</sup>) and undertake, maintain and operate any water service works, within the designated operating area, to the Shire of Koorda. The operating licence was granted by the Economic Regulation Authority (ERA) on 29 April 1996 and subsequently amended on 18 November 2013.

The Shire provides Sewerage services through a 4.35km gravity reticulation system, two pump stations and a treatment plant. The scheme collects and treats approximately 25,000 kL per annum of residential and commercial liquid wastes for approximately 250 people. The primary and overflow ponds have a storage capacity of 8,784m<sup>3</sup>.

An operational audit of the Shire of Koorda'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 Koorda's Water Services Operating Licence WL21 was issued on 18 November 2013.

## 1.2. Purpose of this report

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).

As a condition of their licence, the Shire of Koorda is required to conduct an operational audit and asset management review that assesses the performance of the licensee against its obligations under the licences.

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

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

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<sup>1</sup> Non-potable services, as such, consist of the Shire collecting stormwater for use irrigating its own sports oval. No sewage effluent is re-used, and no non-potable water is provided to the public.

The asset management system review covers:

- ▶ asset planning;
- ▶ asset creation/acquisition;
- ▶ asset disposal;
- ▶ environmental analysis;
- ▶ asset operations;
- ▶ asset maintenance;
- ▶ asset management information system;
- ▶ risk management;
- ▶ contingency planning;
- ▶ financial planning;
- ▶ capital expenditure planning; and
- ▶ review of the asset management system.

## 2. Audit/Review Scope

### 2.1. Audit/Review objectives

The objectives of this audit were to:

1. Provide to the Authority an independent assessment of the Shire of Koorda'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 Koorda's asset management system in relation to WL21
3. Provide recommendations to address non-compliances and asset management deficiencies, if any.

### 2.2. Scope of works

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

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

The scope of works of this audit included:

- ▶ Interviews with key staff members from the Shire of Koorda 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 WL21
  - Assess performance against each asset management process for WL21.
- ▶ Reviews of documents, procedures and policy manuals.
- ▶ Testing and assessment to determine whether the procedures and policies are followed and determine their effectiveness
- ▶ Preparation of an operational audit and asset management system review report in accordance with the format outlined in the ERA Audit and Review Guidelines: Water Licences (July 2014).

### 2.3. Methodology and approach

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

- ▶ A start-up discussion (by telephone) with the Shire to:
  - Discuss the main issues to be addressed at audit
  - Identify any issues from the previous audit

- Identify any new issues arising from changes to the Licence or operating environment requirements
  - Discuss the audit plan.
- ▶ Preparation of a draft audit plan for comment by the licensee. The audit plan identified the number and location of audits, the information to be addressed and the auditor responsible.
- ▶ Submission of the draft audit plan to the ERA for approval
- ▶ A start-up meeting on-site at the beginning of our audit work
- ▶ On-site audit work comprising:
  - Face-to-face interviews with business staff responsible for the audit area
  - Demonstration of key systems
  - Sample testing for outcome compliance (assessing sample of documents to confirm procedures / policies are followed and implemented)
  - Review of any non-compliances and assess if any corrective action was undertaken and its effectiveness
  - Controls assessment on obligations with an audit priority of 1, 2 or 3 or those 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 2-2 and Table 2-3.

**Table 2-1 Licence audit methodology**

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



Audit Area	Priority	Approach	Systems	Key Documents
Clause 19 Review of the Authority's Decisions	4	<ul style="list-style-type: none"> <li>Confirm if any requests of a reviewable decision has been issued to the Authority and correlating response</li> </ul>		<ul style="list-style-type: none"> <li>Requests for review of decision (Correspondence)</li> </ul>
Clause 20 Asset Management System	4	<ul style="list-style-type: none"> <li>Confirm that the asset management policies and procedures meet legislative requirements. Note for compliance with this clause the auditor simply needs to assure themselves that an asset management system is in place (i.e. AMP, staff, IT system etc). For the level of effectiveness the auditor should refer to the Asset Management System Review undertaken concurrently.</li> </ul>	<ul style="list-style-type: none"> <li>Enterprise Asset Management System</li> <li>Computerised Maintenance Management System</li> </ul>	<ul style="list-style-type: none"> <li>Asset Management Policies</li> <li>Asset Management Plans</li> <li>Asset Management Systems and Procedures Manual</li> <li>Asset Register</li> </ul>
Clause 21 Water Services Ombudsman Scheme	4	<ul style="list-style-type: none"> <li>Confirm whether the licensee is a member of a scheme and assess compliance</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence with ERA</li> <li>Correspondence with Ombudsman</li> </ul>
Clause 22 Standard Terms & Conditions	NA	<ul style="list-style-type: none"> <li>Confirm that not applicable</li> </ul>		
Clause 23 Customer Contract	4	<ul style="list-style-type: none"> <li>Check whether the Authority has asked for and approved a customer contract during the audit period.</li> <li>Confirm that the contracts comply with the Customer Contract Guidelines</li> <li>Check whether there have been any amendments to the customer contracts during the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence with ERA</li> <li>Examples of customer contracts</li> </ul>
Clause 24 Non Standard Terms & Conditions of Service	4	<ul style="list-style-type: none"> <li>Assess whether the licensee has agreements with customers that include non-standard terms and conditions</li> <li>If applicable, confirm that the non-standard terms and conditions have been approved by the Authority</li> <li>If applicable, confirm annual reports of agreements containing non-standard terms and conditions have been published and comply with the operating licence requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence with ERA</li> <li>Examples of agreements with non-standard terms &amp; conditions (if applicable)</li> <li>Annual reports of non-standard terms &amp; conditions agreements</li> </ul>
Clause 25 Supplier of Last Resort	4	<ul style="list-style-type: none"> <li>Confirm whether the licensee is a supplier of last resort and, if applicable, assess compliance with the functions required under the operating licence.</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence with ERA/Minister</li> <li>Last Resort Supply Plan</li> </ul>

Audit Area	Priority	Approach	Systems	Key Documents
Clause 26 Duties of the Licensee	4	<ul style="list-style-type: none"> <li>Assess compliance with the duties of the licensee under the Water Act</li> </ul>		<ul style="list-style-type: none"> <li>Correspondence with ERA</li> <li>Compliance Summary Reports (record of breaches)</li> </ul>
Clause 27 Provision of Water Services	4	<ul style="list-style-type: none"> <li>Confirm the provision of services complies with those set out in Schedule 1 of the operating licence</li> </ul>		<ul style="list-style-type: none"> <li>Current plan of operating area</li> <li>Customer contracts in place for the provision of water services</li> </ul>
Clause 28 Provision of Water Services Outside Operating Areas	4	<ul style="list-style-type: none"> <li>Check whether the licensee provides water services outside its designated operating area.</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence with ERA</li> <li>Current plans of operating area and map of licenced operating area</li> </ul>
Clause 29 Works Holding Arrangements	4	<ul style="list-style-type: none"> <li>Check whether any water service works that are not held by or for the licensee are covered by a Works Holding Arrangement agreement</li> </ul>		<ul style="list-style-type: none"> <li>Works Holding Arrangements</li> </ul>
Clause 30 Hardship Policy	4	<ul style="list-style-type: none"> <li>Confirm that the licensee has a Hardship Policy and complies with any of the Authority's Financial Hardship Policy Guidelines that apply.</li> </ul>		<ul style="list-style-type: none"> <li>Correspondence between licensee and ERA</li> <li>Hardship Policy</li> </ul>
Clause 31 Memorandum of Understanding	NA	<ul style="list-style-type: none"> <li>Confirm that not applicable</li> </ul>		

**Table 2-2 Asset management review methodology**

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

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

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

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

## 2.4. Time period covered by the Audit/Review

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 Koorda's staff were carried out on 19 January 2014 at 8:30am office in Koorda Shire, WA.

## 2.6. Details of the licensee representatives participating in the Audit/Review

Details of representatives from the Shire of Koorda 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	
David Burton	Shire of Koorda	Chief Executive Officer (CEO)	Present
Bill Hardy	Shire of Koorda	Environmental Health & Building Officer	Present
Darren West	Shire of Koorda	Works Supervisor	Absent
Linda Longmuir	Shire of Koorda	Deputy CEO / Senior Administration Officer	Post-audit assistance

## 2.7. Details of key documents and other information sources

- ▶ Shire of Koorda Water Services Operating Licence – WL21, Version 3, 18 November 2013
- ▶ Shire of Koorda Water Services Operating Licence – WL21, Version 2, 15 May 2009
- ▶ Quantum Assurance, Shire of Koorda Operational Audit and Asset Management System Review, Final Report, May 2012

### Hard copy files and documents provided during the audit:

- ▶ Correspondence between the Shire and the Authority.
- ▶ Sewerage Defect Reports (paper copies on file)

### Electronic Documents provided during and after the audit:

- ▶ 20090515+2008-09+Water+Licence+Performance+Reporting+Datasheets(1).XLS
- ▶ 2014 Koorda Shire Water Sewerage Licence Performance Reporting Datasheets.xlsx
- ▶ 2014 Water Compliance Reporting Manual.pdf
- ▶ ASSET Management Ēmhoff Trench.doc
- ▶ Asset Register Annual CI Budget to remove non items.docx
- ▶ Asset Register budget adjustments MARCH 12-13-14.pdf
- ▶ Asset Register budget adjustments MARCH 2012-2013-2014.docx
- ▶ Asset Register.xls
- ▶ ASSETT Management Earthquake.doc



- ▶ ASSETT Management Imhoff failure.doc
- ▶ ASSETT Management Major Storm.doc
- ▶ ASSETT Management pipe man hole collapse.docm
- ▶ ASSETT Management unexpected demand.docm
- ▶ CE0A213A.tmp
- ▶ Compliance Schedule.doc MASTER.pdf
- ▶ Condition & Performance.xls
- ▶ Contingency Plans.doc
- ▶ Copy of Shire of Koorda Sewer Report 2011 Paul Reid amendment.xls
- ▶ CURRENT Customer Service Charter 2011-2014.doc
- ▶ CURRENT Customer Service Charter 2011-2014.pdf
- ▶ Disconnection of Wastewater Service APPENDIX 3.pdf
- ▶ Financial Planning.xls
- ▶ Inventory Control.xls
- ▶ Koorda Asset Management Doc JUNE 2014.doc
- ▶ Koorda Asset Management Doc JUNE 2014.pdf
- ▶ Koorda reporting template 2009 to 2010.xlsx
- ▶ Koorda Shire Wastewater and Irrigation Licence Performance Reporting Datasheet 2012-2013.xlsx
- ▶ Main Menu.xls
- ▶ Maintenance Management.xls
- ▶ Risk Assessment.xls
- ▶ Licence invoice from DEC (Sewerage Audit 1.pdf)
- ▶ Licence invoice from DEC (Sewerage Audit 2.pdf)
- ▶ Licence invoice from DEC (Sewerage Audit 3.pdf)
- ▶ Sewerage Defect Report Form.xls
- ▶ Shire of Koorda Water Compliance reporting 2011 to 2012 period.xls
- ▶ Shire of Koorda 2011 Compliance Report.DOCX
- ▶ Shire of Koorda Sewer Report 2011.xls
- ▶ Water Licence Map - Shire of Koorda - Koorda Operating Area.PDF

**Documents available on Website:**

- ▶ 20080701 Customer Service Charter for Wastewater Services for the Shire of Koorda Townsite Sewerage Scheme.pdf

- ▶ 2012-2013 Annual Budget\_pdf.ke48hyt.partial
- ▶ 2013 2014 Annual Report.pdf
- ▶ 2013-2014 Annual Budget.pdf
- ▶ 2014-2015 Annual Budget.pdf
- ▶ Annual Report 2011-2012.pdf
- ▶ Complete LEMA March 2013.pdf
- ▶ Customer Service Charter for Wastewater Services.pdf
- ▶ Fees & Charges 2013-2014.pdf
- ▶ Final Annual Report 2012-2013.pdf
- ▶ Koorda DAIP 2012-2017 Master Plan.pdf
- ▶ Koorda Strategic Community Plan 2013.pdf
- ▶ Outcome 7.pdf
- ▶ Shire of Koorda Financial Hardship policy sewerage scheme.pdf

## 2.8. Details of auditors participating in the Audit/Review and hours utilised

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

Details of their roles and hours utilised in the audit/review process are provided in Table 2-4

**Table 2-4 Details of Audit / Review Team Members**

Name	Organisation	Role	Summary of Task	Hours Utilised
Alex Nash	Cardno	Lead Auditor	<ul style="list-style-type: none"> <li>▪ Interviews with staff</li> <li>▪ Document review</li> </ul>	50
Patrick Lamb	Cardno	Auditor	<ul style="list-style-type: none"> <li>▪ Reporting</li> </ul>	20
Stephen Walker	Cardno	Reviewer	<ul style="list-style-type: none"> <li>▪ Reviewing</li> </ul>	10

### 3. Licensee's response to previous recommendations

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

#### 3.1. Previous audit non-compliances and recommendations

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

**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
1.3	<p><b>Performance and Compliance Reporting</b></p> <p>In accordance with the Water Compliance Reporting Manual May 2011, the Shire is required to submit to the Authority:</p> <ul style="list-style-type: none"> <li>Annual performance reports no later than 31 July for the reporting year ending 30 June; and</li> <li>Annual compliance reports by 31 August for the year ending 30 June.</li> </ul> <p>The previous audit noted the following:</p> <ul style="list-style-type: none"> <li>The audit reviewed the Shires Compliance and Performance Reports for the year ending 30 June 2009, 2010 and 2011 and relevant correspondence between the Shire and the Authority and noted the following exceptions:               <ul style="list-style-type: none"> <li>Performance Report for the year ended 30 June 2009 was submitted after the due date (in August 2009). The Authority acknowledged this</li> </ul> </li> </ul>	<p>The previous audit recommended the following:</p> <ol style="list-style-type: none"> <li>The Shire should ensure that all future Performance Reports are submitted to the Authority within the timeframes required.</li> <li>The Shire should ensure that it keeps track of all non-compliances with the licence obligations and that all the future Compliance Reports are complete.</li> </ol> <p>The Shire noted the following:</p> <ol style="list-style-type: none"> <li>Compliance Schedule will prompt reporting.</li> <li>Note will be kept on the ERA file.</li> </ol>	Completed	<p>The Shire submitted its performance report for 2013-2014 on time, and retained a confirmation letter from the ERA on file. There were no records of the submission dates for the previous reports. We did not see the Compliance schedule to confirm if this had been updated to assist the Shire in meeting reporting deadlines, or see confirmation of the previous performance reports being submitted on time</p>

## A. Resolved before end of previous Audit period

- non-compliance but this was omitted from the Compliance Report for 2010;
- Performance Report for the year ended 30 June 2011 was submitted after the due date (in August 2011). The Authority acknowledged this non-compliance and it needs to be recorded in the Compliance Report for the year ending 30 June 2012.

The Shire has developed and implemented the Compliance Schedule with the annual performance and compliance reporting due date set for no later than 30<sup>th</sup> July.

The Compliance Schedule also includes references on how and where to source the required information.

No further action resulting from 2015 audit.

## B. Resolved during current Audit period

Reference (no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
1.1	<b>Compliance with Performance Standards</b> The previous audit noted the following: <ul style="list-style-type: none"> <li>▪ The audit reviewed the Shire's Performance Reports for the years ended 30 June 2009, 2010 and 2011 and noted that the Shire complied with all performance standards except for the requirement to have fewer than 40 blockages per 100km of sewer main per year as follows:               <ul style="list-style-type: none"> <li>– In the year ended 30 June 2009, the Shire reported 2 sewer blockages, which represents a figure of 46 blockages per 100km of sewer</li> <li>– main; and</li> </ul> </li> </ul>	The previous audit recommended the following: <ul style="list-style-type: none"> <li>▪ Monitor the level of blockages in order to achieve compliance with the standard of fewer than 40 blockages per 100km of sewer main, and take corrective action as necessary, such as regular jetsnake clearance.</li> </ul> The Shire noted the following: <ul style="list-style-type: none"> <li>▪ Will continue to monitor and take further action as necessary.</li> </ul> The action was the responsibility of the EHO.	Ongoing	This licence requirement ended on the 18th of November 2013 with the commencement of the current license. However, before this date there were 5 sewer blockages in the 2011-12 reporting year (All after 30 November 2011), which constitutes a non-compliance with this performance standard. However during the audit

## B. Resolved during current Audit period

- In the year ended 30 June 2011, the Shire reported 4 sewer blockages, which represents a figure of 92 blockages per 100km of sewer main.

The audit sighted copies of completed Sewerage System Defect Reports. The blockages are mainly caused by the tree roots, which is then cleared with the jetsnake.

we note that there were no sewer incident forms for the rest of this licence period (until 18 November 2013).

The performance indicator ceased to be a licence requirement after 18 of November 2013.

No further action required

1.2	<p><b>Notify Changes to Asset Management System</b></p> <p>The licensee must notify the Authority of any changes to its asset management system within 10 business days from the date of change.</p> <p>The previous audit noted the following:</p> <ul style="list-style-type: none"> <li>▪ The audit confirmed with the Shire's EHO that there were no material changes made to the asset management system that would require notification to the Authority.</li> <li>▪ The Shire has developed and implemented a</li> <li>▪ Compliance Schedule. However the Schedule does not include the required timeframes for the notification of the asset management system changes to the Authority.</li> <li>▪ Also, the Monitoring and Review Procedures section of the Asset Management Plan has not yet been updated for the requirement to notify the Authority of any changes to the asset management system within the required timeframe.</li> </ul>	<p>The previous audit recommended the following:</p> <ol style="list-style-type: none"> <li>1. Update the Monitoring and Review Procedures section of the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within 10 business days.</li> <li>2. Note the required timeframes for the notification of the asset management system changes to the Authority in the Compliance Schedule to ensure regulatory timeframes are met for changes to the asset management system.</li> </ol> <p>The Shire noted the following:</p> <ol style="list-style-type: none"> <li>1. AMP will be updated.</li> <li>2. Compliance Schedule with be updated.</li> </ol> <p>The actions were the responsibility of the EHO.</p>	31/03/2012	<p>The AMP has been updated to include a requirement to inform the ERA of significant changes to the AMP within 10 days (page 30 of the AMP issued June 2014).</p> <p>Compliance schedule has been updated to include required timeframes.</p>
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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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### 3.2. Previous review ineffective components and recommendations

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

**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
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## 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
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2.1	<p><b>Asset Disposal</b></p> <p>Under-utilised and under-performing assets are identified as part of a regular systematic review process.</p> <p>The previous review noted the following: An Asset Condition and Performance Spreadsheet was sighted. It is noted from the spreadsheet that all assets were last inspected in February/March 2007.</p> <p>The Asset Management Plan states that the condition of assets will be inspected by February each year.</p>	<p>The previous review recommended the following:</p> <ul style="list-style-type: none"> <li>Implement a program for the inspection of all assets and update the Asset Condition and Performance spreadsheet in February each year.</li> </ul> <p>The Shire noted the following:</p> <ul style="list-style-type: none"> <li>Annual inspections to be completed and the spreadsheet updated.</li> </ul> <p>The action was the responsibility of the EHO.</p> <p>We found that the asset register refers to condition rating at 28<sup>th</sup> Feb 2007 still.</p>	N/a	Yes. Shire to update condition ratings as per recommendation R10/2015.
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**C. Unresolved at end of current review period**

	The spreadsheet has not been updated with the results of any inspections performed since 2007.			
2.2	<b>Environmental Analysis</b> The previous review noted the following: The Asset Management Plan Section 2.3.5 Regulatory Requirements has not yet been updated for details of the 2009 operating licence from the Authority.	The previous review recommended the following: <ul style="list-style-type: none"> <li>Update the Asset Management Plan to reflect the issue of the new licence to the Shire of Koorda on 15th May 2009 and any changes in the licence.</li> </ul> The Shire noted the following: <ul style="list-style-type: none"> <li>AMP to be updated.</li> </ul> The action was the responsibility of the EHO.  We found at our review that the 2009 licence is noted in the AMP but that the AMP does not include reference to the latest licence (2013)	31/03/2012	No. This recommendation has been addressed.
2.3	<b>Contingency Planning</b> The previous review noted the following: A Contingency Plan is available and has been sighted.  Detailed contingency plans for potential risk events have been developed in 2009/10. They have not yet been subject to any testing.  Staff that are likely to be involved in invoking the contingency plans have a general awareness of the plans. However, there is no evidence of the Shire's contingency procedures being tested to ensure that staff are fully aware of their responsibilities.	The previous review recommended the following: <ol style="list-style-type: none"> <li>Test/review the emergency procedures and contingency plan at least annually or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency.</li> </ol> The test could be a desktop review of the plan by the participants. <ol style="list-style-type: none"> <li>Written records of the tests/review should be kept with the appendices of the AMP.</li> </ol> The Shire noted the following: <ol style="list-style-type: none"> <li>Desktop review of contingency plans by management team will be completed annually.</li> </ol> To be noted in Compliance Schedule. <ol style="list-style-type: none"> <li>Note will be kept.</li> </ol> The actions were the responsibility of the EHO.	N/a	Yes  See recommendation R11/2015

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

This was discussed during our review and a contingency plan was reviewed, however no evidence of the review was available.

## 4. Performance summary

The operational 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 operational 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 Koorda was completed using the rating scale in and asset management system effectiveness using the rating scales in Table 4-1 and Table 4-2.

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

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

**Table 4-3 Asset management performance ratings**

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

## 4.2. Operational audit compliance summary

Table 4-4 provides a summary of the Shire of Koorda's compliance rating against each licence obligation and an adequacy of controls rating where the item has an audit priority of 1, 2 or 3 or 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					✓						✓

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	
2012/13	Schedule 3 Clause 3.9 (b)	5					✓	✓						
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	Clause 8	4					✓			✓				
2012/24	Schedule 3 Clause 4.1	4					✓			✓				
2012/25	Schedule 3 Clause 4.2	4					✓	✓						
2012/26	Schedule 3 Clause 4.3	4					✓							✓
2012/28	Schedule 3 Clause 4.5 Sewerage licensee	N/a					✓							✓
2012/29	Schedule 3 Clause 4.6 LGA sewerage providers	4					✓	✓						
2012/32	Schedule 3 Clause 6	4					✓							✓
2012-	Schedule 6 Clause 2.1	4					✓	✓						
2012-	Schedule 6 Clause 2.2	4					✓	✓						
2012-	Schedule 6 Clause 2.3	4					✓							✓
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					✓							✓

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	
13	Section 36	4					N/A						✓	
16	Section 77(3)	4					✓	✓						
17	Sections 82(4) & (5)	4		✓					✓					
18	Section 84(2)	4					✓							✓
19	Section 87(2)	4					✓							✓
20	Section 90(7)	5					✓							✓
21	Section 95(3)	2					N/A						✓	
22	Section 96(1)	4					N/A						✓	
23	Section 96(5)	5					N/A						✓	
24	Section 98(3)	4					✓							✓
25	Section 106(2)	4					✓							✓
28	Section 119(2)	4					✓							✓
29	Section 122(2)	4					✓							✓
30	Section 125(2)	4					N/A						✓	
31	Section 128(4)	4					✓							✓
32	Section 129(5)	4					✓							✓
33	Section 139(3)	4					✓							✓
34	Section 141(1)	4					N/A						✓	
35	Sections 142	4					✓							✓
36	Sections 143 (2)	4					✓							✓
37	Sections 143 (3)	5					✓							✓
38	Sections 144(3)	4					✓							✓
39	Section 145(2)	5					✓							✓
40	Section 147(3)	4					✓							✓
41	Section 147(4)	4					✓							✓
42	Section 151(1)	4					✓							✓
43	Section 151(2)	4					✓							✓
44	Section 152(3)	4					✓							✓
45	Section 153(3)	4					✓							✓
46	Section 166(5)	4					✓							✓
47	Section 166(6)	4					✓							✓
48	Section 170	4					✓							✓

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
49	Section 173(4)	4					✓						✓
50	Section 174(1)	4					✓						✓
51	Section 174(3)	4					✓						✓
52	Section 175(2)	4					✓						✓
53	Section 175(5)	4					✓						✓
54	Section 176(1)	4					✓						✓
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					✓						✓
<b>Water Services Regulations 2013</b>													
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					N/A					✓	
<b>Water Services Code of Conduct (Customer Service Standards) 2013</b>													
92	Clause 7	4		✓					✓				
93	Clause 8	4					N/A					✓	
94	Clause 9	4					✓	✓					
95	Clauses 10(2)	4					N/A					✓	
96	Clauses 10(3)	4					N/A					✓	
97	Clause 10(4)	4					N/A					✓	
98	Clause 10(5)	4					N/A					✓	



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
99	Clause 11	4					✓	✓					
103	Clause 13(1)	4					N/A						✓
104	Clause 13(2)	4					N/A						✓
105	Clause 14(1)	4					N/A						✓
106	Clause 15	4					N/A						✓
107	Clause 16(2)	4					✓						✓
108	Clause 16(3)	4					✓						✓
109	Clause 16(4)	4					✓						✓
110	Clause 16(5)	4					✓						✓
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					✓	✓					

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
134	Clause 29	4					✓	✓					
139	Clause 33	4					N/A						✓
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	4						✓	✓				
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	5						✓	✓				
166	Section 12	5						✓	✓				
167	Section 12	5						✓	✓				
	Publishing Information (Clause 17)												

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	
168	Section 12	4					✓							✓
	Notices (Clause 18)													
169	Section 12	4					✓	✓						
	Asset Management System (Clause 20)													
170	Section 12	4					N/A						✓	
171	Section 12	4					✓							✓
172	Section 12	4					✓	✓						
6	Sections 24(1)(a) & 24(2)	5					✓	✓						
7	Section 24(1)(b)	4					N/A						✓	
8	Section 24(1)(c)	4					✓	✓						
	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					N/A						✓	
177	Section 12	5					✓							✓
178	Section 12	5					✓							✓
	Non Standard Terms & Conditions of Service (Clause 24)													
179	Section 12	5					✓							✓
180	Section 12	5					✓							✓
	Supplier of Last Resort (Clause 25)													
181	Section 12	4					N/A						✓	
14	Section 60	4					N/A						✓	
	Duties of the licensee (Clause 26)													

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
12	Section 29	4	✓						✓				
<b>Provision of Water Services (Clause 27)</b>													
1	Section 21(1)(a)	4					✓	✓					
2	Section 21(1)(b)	4					✓	✓					
3	Section 21(1)(c)	4					✓	✓					
<b>Provision of Water Services Outside Operating Area (Clause 28)</b>													
182	Section 12	4					✓						✓
4	Section 22	4					✓						✓
<b>Works Holding Arrangements (Clause 29)</b>													
5	Section 23	4					✓	✓					
<b>Hardship Policy (Clause 30)</b>													
183	Section 12	4					✓	✓					
<b>Memorandum of Understanding (Clause 31)</b>													
184	Section 12	N/A					N/A					✓	
185	Section 12	N/A					N/A					✓	
186	Section 12	N/A					N/A					✓	
<b>Performance Standards (Schedule 3)</b>													
190	Section 9	N/A					N/A					✓	

#### 4.3. Asset management review effectiveness summary

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

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

**Table 4-5 Asset management review effectiveness summary**

Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
<b>Asset planning</b>	<b>A</b>	<b>1</b>
▪ 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	1
▪ Service levels are defined	A	1
▪ Non-asset options (e.g. demand management) are considered	A	1
▪ Lifecycle costs of owning and operating assets are assessed	A	1
▪ Funding options are evaluated	A	2
▪ Costs are justified and cost drivers identified	A	2
▪ Likelihood and consequences of asset failure are predicted	A	1
▪ Plans are regularly reviewed and updated	A	1
<b>Asset creation/acquisition</b>	<b>A</b>	<b>2</b>
▪ Full project evaluations are undertaken for new assets	B	2
▪ Evaluations include all life-cycle costs	NR	
▪ Projects reflect sound engineering and business decisions	NR	
▪ Commissioning tests are documented and completed	NR	
▪ Ongoing legal / environmental / safety obligations of the asset owner are assigned and understood	A	2
<b>Asset disposal</b>	<b>A</b>	<b>1</b>
▪ Under-utilised and under-performing assets are identified as part of a regular systematic review process	A	2
▪ The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken	A	1
▪ Disposal alternatives are evaluated	A	1

Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
<ul style="list-style-type: none"> <li>There is a replacement strategy for assets</li> </ul>	A	1
<b>Environmental analysis</b>	<b>A</b>	<b>2</b>
<ul style="list-style-type: none"> <li>Opportunities and threats in the system environment are assessed</li> </ul>	A	1
<ul style="list-style-type: none"> <li>Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved</li> </ul>	A	2
<ul style="list-style-type: none"> <li>Compliance with statutory and regulatory requirements</li> </ul>	A	2
<ul style="list-style-type: none"> <li>Achievement of customer service levels</li> </ul>	B	2
<b>Asset operations</b>	<b>A</b>	<b>1</b>
<ul style="list-style-type: none"> <li>Operational policies and procedures are documented and linked to service levels required</li> </ul>	A	2
<ul style="list-style-type: none"> <li>Risk management is applied to prioritise operations tasks</li> </ul>	A	1
<ul style="list-style-type: none"> <li>Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data</li> </ul>	A	1
<ul style="list-style-type: none"> <li>Operational costs are measured and monitored</li> </ul>	A	1
<ul style="list-style-type: none"> <li>Staff resources are adequate and staff receive training commensurate with their responsibilities</li> </ul>	A	1
<b>Asset maintenance</b>	<b>A</b>	<b>2</b>
<ul style="list-style-type: none"> <li>Maintenance policies and procedures are documented and linked to service levels required</li> </ul>	A	2
<ul style="list-style-type: none"> <li>Regular inspections are undertaken of asset performance and condition</li> </ul>	B	2
<ul style="list-style-type: none"> <li>Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule</li> </ul>	B	2
<ul style="list-style-type: none"> <li>Failures are analysed and operational / maintenance plans adjusted where necessary</li> </ul>	A	1

Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
▪ Risk management is applied to prioritise maintenance tasks	A	2
▪ Maintenance costs are measured and monitored	A	1
<b>Asset management information system</b>	<b>A</b>	<b>1</b>
▪ Adequate system documentation for users and IT operators	A	1
▪ Input controls include appropriate verification and validation of data entered into the system	A	1
▪ Logical security access controls appear adequate, such as passwords	A	1
▪ Physical security access controls appear adequate	A	1
▪ Data backup procedures appear adequate and backups are tested	A	1
▪ Key computations related to licensee performance reporting are materially accurate	A	1
▪ Management reports appear adequate for the licensee to monitor licence obligations	A	2
<b>Risk management</b>	<b>A</b>	<b>1</b>
▪ Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system	A	1
▪ Risks are documented in a risk register and treatment plans are actioned and monitored	A	1
▪ The probability and consequence of risk failure are regularly assessed	A	1
<b>Contingency planning</b>	<b>A</b>	<b>2</b>
▪ Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks	A	2
<b>Financial planning</b>	<b>A</b>	<b>1</b>

Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
<ul style="list-style-type: none"> <li>The financial plan states the financial objectives and strategies and actions to achieve the objectives</li> </ul>	A	1
<ul style="list-style-type: none"> <li>The financial plan identifies the source of funds for capital expenditure and recurrent costs</li> </ul>	A	2
<ul style="list-style-type: none"> <li>The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets)</li> </ul>	A	1
<ul style="list-style-type: none"> <li>The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period</li> </ul>	A	1
<ul style="list-style-type: none"> <li>The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services</li> </ul>	A	2
<ul style="list-style-type: none"> <li>Significant variances in actual / budget income and expenses are identified and corrective action taken where necessary</li> </ul>	A	1
<b>Capital expenditure planning</b>	<b>A</b>	<b>1</b>
<ul style="list-style-type: none"> <li>There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates</li> </ul>	A	1
<ul style="list-style-type: none"> <li>The plan provides reasons for capital expenditure and timing of expenditure</li> </ul>	A	1
<ul style="list-style-type: none"> <li>The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan</li> </ul>	A	1
<ul style="list-style-type: none"> <li>There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned</li> </ul>	A	1
<b>Review of AMS</b>	<b>A</b>	<b>1</b>
<ul style="list-style-type: none"> <li>A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current</li> </ul>	A	1



Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
<ul style="list-style-type: none"><li>Independent reviews (e.g., internal audit) are performed of the asset management system</li></ul>	A	2

## 5. Observations

### 5.1. Operational audit

Table 5-1 Performance audit observations

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
<b>Water Services Licensing Act 1995</b>						
<p>The Licensee must comply with the service and performance standards as set out in Schedule 4. These are:</p> <p><b>Sch 4, CI 1.1 Telephone Answering – Emergency Response</b></p> <p>The licensee shall provide an emergency telephone advice system such that customers need make only one telephone call to report an emergency and that the customer shall be advised of the nature and timing of the action to be undertaken by the licensee.</p> <p><b>Target:</b></p> <p>90% of customers within 1 hour of reporting an emergency shall be advised of the nature and timing of the action to be undertaken by the licensee.</p> <p><b>Sch 4, CI 1.2 Customer Complaints</b></p>	2012/7	Clause 20.1	2	<p><u>Emergency response</u></p> <ul style="list-style-type: none"> <li>The licensee maintains a 24hr emergency contact service. Landlines and mobile numbers are provided for the works manager and the CEO of the council (the numbers are 9684 1404 / 0427 841 275)</li> <li>The 24 hr contact number is detailed in the Customer Service Charter.</li> <li>We cannot confirm if the customer was “advised of the nature and timing of the action to be undertaken by the licensee” on 90% of occasions and as such cannot confirm compliance with this target. We note that very few, if any, emergencies were likely to have been reported by customers in the relevant period.</li> <li>The Shire does not maintain a formal customer contact register, but does keep records of written correspondence and complaints from customers (in the “complaints and incidents” file). There were no sewer service related complaints in the file, and correspondence refers not just to council activities but also to council responsibilities (such as enforcement of noise regulations, animal control etc).</li> <li>There is a works register which has four jobs recorded in it – the last one of which</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Customer Service Charter</li> <li>Annual Performance Reports (2012, 2013)</li> <li>Reviewed Council complaints log – no sewerage related complaints during the audit period</li> </ul>	2

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
<p>The licensee shall respond to customer complaints in accordance with the licence standard</p> <p><b>Target:</b></p> <p>90% of customer complaints resolved within 15 business days.</p> <p><b>Sch 4, CI 3.1 Sewerage Service Standards</b></p> <p>3.1(a) The number of sewer blockages per 100km of sewer mains.</p> <p><b>Target:</b></p> <p>In the preceding 12 months there were fewer than 40 blockages per 100km of sewer main</p> <p>3.1(b) Percentage of connected properties experiencing a wastewater overflow.</p> <p><b>Target:</b></p> <p>In the preceding 12 month period 90% of customers receive the standard for the licensee's schemes.</p>				<p>occurred in 2008. This file says "discontinued – refer to files on server". We examined the files on the server but could not find an up to date works register.</p> <p><u>Customer complaints</u></p> <ul style="list-style-type: none"> <li>Section 2.9 of the licensee's Customer Service Charter sets out the complaints process.</li> <li>Complaints may be made in writing, by telephone, in person at the Shire service centre and also via a generic contact form on the Shire's website</li> <li>No complaints have been received during the audit period. Therefore, it is not possible to rate compliance.</li> </ul> <p><u>Continuity and overflows</u></p> <ul style="list-style-type: none"> <li>The licensee maintains 4.35 km of sewers which equates to a target of 1.7 blockages per year</li> <li>The number of blockages reported by the licensee to the ERA were (2011 = 4, 2012 = 5, 2013 = 2.</li> <li>Therefore, the licensee has exceeded the target number of blockages in 2011, 2012 and 2013. We consider this to be a minor non-compliance.</li> <li>The sewer incident report forms make no mention of overflows (only blockages). There were no overflows to connected properties during the audit period. Therefore, the licensee has complied with this performance standard.</li> </ul>		
<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"> <li>Section 2.9 of the licensee's Customer Service Charter sets out the complaints process.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Customer Service Charter</li> </ul>	1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				<ul style="list-style-type: none"> <li>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</li> <li>The Shire maintains a register for tracking complaints related to its water services</li> <li>The complaints process is described in the Customer Service Charter but there does not appear to be a separate internal complaints process or policy. The process described in the customer charter document is simple and available to customers and is adequate, given the volume and of complaints. It is appropriate for sewer services to manage complaints in the wider council complaints process.</li> </ul>	<ul style="list-style-type: none"> <li>Review of sewerage scheme complaints registers 2011, 2012 and 2013</li> <li>Review of the Shire's website</li> </ul>	
The licensee must resolve customer complaints within 15 business days of the receipt of complaint or for matters to be considered by a Local Government Council within 5 business days after the first ordinary Council meeting following the 15 business day period.	2012/11	Schedule 3 Clause 3.8	4	<ul style="list-style-type: none"> <li>No complaints have been recorded by the licensee within the audit period. Therefore, this obligation cannot be rated</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of sewerage scheme complaints registers 2011, 2012 and 2013</li> </ul>	NR
The licensee must provide one trained staff who is authorised or has access to another officer who is authorised to make necessary decisions to respond to complaints.	2012/13	Schedule 3 Clause 3.9 (b)	5	<ul style="list-style-type: none"> <li>The works Manager (Darren West) is responsible for management of the water service and is authorised to respond to complaints.</li> <li>The Shire CEO is ultimately responsible for ensuring that complaints are dealt with and would respond to complaints in the absence of the Manager development Services</li> <li>Shire staff have completed a number of customer services training courses</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
The licensee must provide an appropriate system to monitor and record the number, nature of and outcomes to complaints.	2012/14	Schedule 3 Clause 3.2 (d)	4	<ul style="list-style-type: none"> <li>This obligation is not applicable as Clause 3.2 is not included in the licensee's previous licence.</li> </ul>		NA
The licensee must inform the customer of the option to refer a disputed complaint to the Department of Water unless the 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"> <li>Section 2.9 of the licensee's Customer Service Charter informs customers that a disputed complaint may be referred to the Department of Water</li> <li>As no complaints relating to the water service have been received in the audit period it is not possible to test other ways that the licensee may inform customers.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Customer Service Charter</li> <li>Review of sewerage scheme complaints registers 2011, 2012, 29013 and 2014</li> </ul>	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"> <li>There have been no disputed complaints referred to the Department of Water during the audit period. Therefore, this obligation is not able to be rated.</li> </ul>		NR
The licensee must, on request, provide complaints details to the Department of Water.	2012/18	Schedule 3 Clause 3.7	4	<ul style="list-style-type: none"> <li>There have been no disputed complaints referred to the Department of Water during the audit period. Therefore, this obligation is not able to be rated.</li> </ul>		NR
The licensee must establish a Customer Service Charter as set out in Schedule 3.	2012/19	Clause 7.1	4	<ul style="list-style-type: none"> <li>A Customer Service Charter has been prepared in accordance with the ERA's guidelines.</li> <li>The current version of the Customer Service Charter 3 was revised in July 2014 and incorporates the latest changes reflected in the 2012 Water Act.</li> <li>The latest version of the Customer Service Charter was not approved by the Authority given that the regulatory framework was in transition at this time. The Customer Service Charter in place in November 2013 when this obligation ceased to take effect was approved by the Authority.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Customer Service Charter</li> <li>Correspondence between Authority and licensee</li> </ul>	1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
<p>The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence.</p> <p>(a) By prominently displaying it in those parts of the licensee's offices to which customers regularly have access</p> <p>(b) By providing a copy, upon request, and at no charge, to the customer; and</p> <p>By sending a current copy, or a summary document approved by the Authority, to all customers at least once in every three year period or as agreed with the Authority.</p>	2012/20	Schedule 3 Clause 2.5	4	<ul style="list-style-type: none"> <li>We observed correspondence from the Authority to the licensee regarding a 12 month extension to the review period for the Customer Service Charter</li> </ul>		
				<ul style="list-style-type: none"> <li>The Customer Service Charter was displayed in the Shire's reception at the time of the audit.</li> <li>The Customer Service Charter is available on the Shire's website.</li> <li>The licensee was unable to confirm whether customers have been provided with a copy of the Customer Service Charter, or a summary document, within a three year period up to November 2013 when the obligation ceased to take effect. We consider this a minor non-compliance but note that this obligation is no longer in effect.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Access to Shire's website</li> <li>Inspection of Shire's offices</li> </ul>	2
				<ul style="list-style-type: none"> <li>The current version of the Customer Service Charter was revised in July 2014. The previous revision was June 2011.</li> <li>However, when the new licence came into effect, in November 2013, this requirement was no longer required.</li> <li>We reviewed the ERA correspondence folder but did not note any correspondence regarding approval of the 2011 Customer Charter.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Customer Service Charter</li> </ul>	1
<p>The licensee must review its Customer Service Charter at least once in every three year period.</p>	2012/21	Schedule 3 Clause 2.6 or 2.7	5			
<p>The licensee must provide its services consistent with its Customer Service Charter.</p>	2012/22	Schedule 3 Clause 2.7	4	<ul style="list-style-type: none"> <li>The 2011 Customer Service Charter reflects the relevant conditions outlined in the licence.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Customer Service Charter</li> </ul>	1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				<ul style="list-style-type: none"> <li>The Shire operates with the intention to provide services as outlined in the licence and in the Customer Service Charter.</li> <li>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.</li> <li>We have seen no instances of where the licensee has provided its services inconsistent with the Customer Service Charter</li> </ul>	<ul style="list-style-type: none"> <li>Review of Shire processes for managing water service</li> </ul>	
The licensee must establish customer consultation processes as set out in Schedule 3.	2012/23	Clause 8	4	<ul style="list-style-type: none"> <li>The licensee holds an annual 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.</li> <li>The licensee also hold monthly Council meetings where public question time is a fixed agenda item and is another forum for consultation and feedback.</li> <li>We consider that the above two items meet the requirements of Clause 4.1(b)(iii) of Schedule 3 of the Licence (Version 2).</li> <li>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 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.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	2
The licensee may either establish a Customer Council or institute at least 2 of the following: establish a regular meeting; publish a	2012/24	Schedule 3 Clause 4.1	4	<ul style="list-style-type: none"> <li>As noted above, we consider that the licensee has not fully met the requirements of Schedule 3, Clause 4.1.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	2

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
newsletter or run other public forums, concerning the licensed activities.				<ul style="list-style-type: none"> <li>We note however that this obligation is no longer in effect and also that the licensee has a close working relationship with its community.</li> </ul>		
The licensee must consult the Authority on the type and extent of consultation to be adopted by the licensee.	2012/25	Schedule 3 Clause 4.2	4	<ul style="list-style-type: none"> <li>We did not observe any correspondence between the ERA and the shire regarding consultation.</li> <li>There has been no change to the type and extent of the customer consultation that has been adopted by the Shire.</li> <li>The Authority approved the licensee's 2011 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.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Customer Service Charter</li> </ul>	1
The licensee must, if at the request of the Authority, establish other forums for consultations, to enable community involvement in issues relevant to licence obligations.	2012/26	Schedule 3 Clause 4.3	4	<ul style="list-style-type: none"> <li>The licensee was not requested by the Authority to establish other forums or consultations. Therefore, this obligation cannot be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
The licensee must prior to making a major change to the operation of a water service hold a public meeting and seek written submissions.	2012/28	Schedule 3 Clause 4.5 Sewerage Licensee	N/a	<ul style="list-style-type: none"> <li>There have been no major changes to the licensee's services during the audit period. Therefore, this obligation cannot be rated</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
The licensee must allow customers to raise matters of concern at public question time in accordance with the Local Government Act 1995.	2012/29	Schedule 3 Clause 4.6 LGA sewerage providers	4	<ul style="list-style-type: none"> <li>Allowance for public question time is included at each monthly Council meeting</li> <li>We reviewed a sample of Council meeting minutes at audit</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of a sample of Council meeting minutes</li> </ul>	1
The licensee must conduct a customer survey if directed to by the Authority.	2012/32	Schedule 3 Clause 6	4	<ul style="list-style-type: none"> <li>There was no correspondence on file from the ERA instructing the Shire to carry out a customer survey.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR



Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				<ul style="list-style-type: none"> <li>The Shire advised that it was not aware that the Shire has been directed by the Authority to undertake a customer survey in the audit period. Therefore, this obligation cannot be rated</li> </ul>		
The licensee must set out in writing its conditions for connection and make it available to people enquiring or applying for connection.	-	Schedule 6 Clause 2.1	4	<ul style="list-style-type: none"> <li>Section 2.7 of the licensee's Customer Service Charter sets out the conditions for connection.</li> </ul>	<ul style="list-style-type: none"> <li>Review of Customer Service Charter</li> <li>Interviews with licensee staff</li> <li>Testing of the Shire's website</li> </ul>	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"> <li>Section 2.7 of the licensee's Customer Service Charter sets out the conditions for connection.</li> <li>The Shire requires customers who are beside the network to connect to it (septic tanks are not allowed).</li> <li>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 "has the capacity for the required service". This is a reasonable condition for connection.</li> </ul>	<ul style="list-style-type: none"> <li>Review of drawings of sewerage reticulation system</li> <li>Review of Customer Service Charter</li> <li>Interviews with licensee staff</li> </ul>	1
The licensee may with the written agreement of the property owner discontinue a service where it is not commercially viable. <sup>21</sup>	-	Schedule 6 Clause 2.3	4	<ul style="list-style-type: none"> <li>There have been no instances of the water service being discontinued due to it being not commercially viable. Therefore, this obligation cannot be rated.</li> <li>All customers who have the sewer running by their door pay the sewer rates and are required to connect. It is therefore unlikely that a customer could have their service discontinued (it is a requirement to be connected under the health act).</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
<b>Fees (Clause 4)</b>						

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"> <li>The licensee has not been required to pay any applicable fees (as per Schedule 4 of the Water Service Regulations 2013) during the audit period. Therefore, this obligation cannot be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
<b>Compliance (Clause 5)</b>						
Subject to any modifications or exemptions granted pursuant to the Act, the licensee must comply with any applicable legislation.	156	Clause 5.1	4	<ul style="list-style-type: none"> <li>The licensee's compliance with applicable legislation is tested in detail and summarised in this table.</li> <li>We have identified a number of non-compliances with applicable legislation as follows: Section 82 (4)&amp;(5) – Notification and requirements as to building work (Obligation 17)</li> </ul>		2
<b>Water Services Act 2012</b>						
The licensee must comply with each code of practice made by the Minister to the extent to which it applies to the licensee.	10	Clause 5.2	4	<ul style="list-style-type: none"> <li>No code(s) of practice have been made by the Minister that apply to the licensee. Therefore, this obligation is not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	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"> <li>Obligations 92 – 153 in this table relate to specific requirements of the licensee relating to the Code of Conduct.</li> <li>We have found through this audit that the licensee has not complied with all requirements of the Code of Conduct, specifically:               <ul style="list-style-type: none"> <li>Clause 7 – Information about connections (Obligation 92)</li> <li>Clause 18(2) ,(3) &amp; (6)– Procedure for review of bills (Obligations 114-116)</li> <li>Clause 21(1) – Payment methods (Obligation 119)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	2

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				<ul style="list-style-type: none"> <li>– Clause 35(1)-(6) – Complaints procedure (Obligations 145 -149)</li> <li>– Clause 37(1) – Information to be publically available (obligation 153)</li> </ul>		
The licensee must comply with a direction from the Authority in relation to a breach of applicable legislation.	159	Clause 5.4	4	<ul style="list-style-type: none"> <li>▪ There were no directions from the ERA regarding a breach of applicable legislation in the ERA correspondence folder nor was the Shire aware of any.</li> <li>▪ Therefore, this obligation is not able to be rated</li> <li>▪</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Review of Report on the Shire of Koorda Operational audit 2012 (Quantum Report)</li> <li>▪ Review of correspondence between Authority and licensee</li> </ul>	NR
If the licensee ceases to provide a water service in an area, the licensee must ensure that the water service works are left in a safe condition, and must not remove any part of the works except with the approval of the Minister.	13	Section 36	4	<ul style="list-style-type: none"> <li>▪ The licensee advised that it has not ceased to provide a water service during the audit period. Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> </ul>	NR
The licensee must take reasonable steps to minimise the extent or duration of any interruption of water services it is responsible for.	16	Section 77(3)	4	<ul style="list-style-type: none"> <li>▪ The licensee has in place appropriate asset management practices to minimise the extent or duration of any interruption of its water services. We discuss asset management practices further in the second section of this report.</li> <li>▪ Interruptions are predominantly due to blockages in the sewerage network. These are reported to the supervisor via customer contact or internally. The licensee has available to it a jetting truck and vacuum truck to assist with the clearance of blockages and managing interruptions.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Review of asset management system</li> </ul>	1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
<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"> <li>As a local government, the licensee is responsible for managing development approvals.</li> <li>Notice of any building work is provided to the licensee through its Application for Planning Approval Form and Application for Building Permit. The forms are available on the licensee's website and at its offices.</li> <li>The licensee considers the proposed works and advises of any work that it considers necessary to ensure the safety and efficacy of the provision of water services provided, or to be provided.</li> <li>The licensee requires 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.</li> <li>The licensee undertakes this process within 10 days if the building plans are certified or 14 days if the buildings plans are uncertified. These timeframes are specified in the Building Code of Australia.</li> <li>The timeframe for returning plans in the Act is stricter than that in the Building Code of Australia. However, the Buildings Code of Australia is the primary legislation in this area. Because the licensee has aligned its approvals process with the <i>Building Act 2011</i>, it does not comply with this obligation.</li> <li>We consider this a minor non-compliance as the <i>Building Act 2011</i> is the primary legislation in this area.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Application for Planning Approval Form</li> <li>Review of Application for Building Approval Form</li> <li>Building Application Checklist</li> </ul>	2

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
If the licensee has given a notice under section 83(3)(a) of the Act, and the licensee is satisfied that the person given the notice is not going to comply with the notice within a reasonable time, the licensee must give the person 21 days' notice of its intention to commence the works.	18	Section 84(2)	4	<ul style="list-style-type: none"> <li>The licensee has not had need to provide a notice of this kind during the audit period. Therefore, this obligation is unable to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
If a person makes an application with the State Administrative Tribunal for a review of a decision in respect of the licensee providing additional water services when a person has not responded to the licensee's notice, the licensee cannot provide the works until the application has been finally dealt with, except in limited circumstances.	19	Section 87(2)	4	<ul style="list-style-type: none"> <li>The licensee advised that no applications have been made to the State Administrative Tribunal for review of a decision during the audit period. Therefore, this obligation is unable to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
If the licensee gives a compliance notice to a person who is undertaking construction or carrying out similar works in the vicinity of water service works, the licensee must, to the extent practicable, consult with the owner of the land on which the obstruction is located or the activity is taking place if the person to be given the notice is not the owner of the land.	20	Section 90(7)	5	<ul style="list-style-type: none"> <li>The licensee has not issued any compliance notices under the Act during the audit period. Therefore, this obligation cannot be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
The licensee cannot cut off the supply of water to an occupied dwelling unless the occupier agrees to that.	21	Section 95(3)	2	<ul style="list-style-type: none"> <li>The licensee does not provide water supply services to dwellings. Therefore, this obligation is not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NA

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
If the licensee provides water supply reticulation works, or enters into an agreement for the provision of water supply reticulation works, the licensee must install fire hydrants attached to those works in accordance with the requirements of FESA, or the relevant local government as to the location and type of hydrant.	22	Section 96(1)	4	<ul style="list-style-type: none"> <li>The licensee does not provide water supply services. Therefore, this obligation is not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NA
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"> <li>The licensee does not provide water supply services. Therefore, this obligation is not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NA
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"> <li>The Shire advises that it did not receive any requests from the Minister to connect a wastewater inlet to the Shire's network in the period being audited. Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
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"> <li>No compliance notices issued that the Shire is aware of, so trade waste notices were unavailable for audit.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
The licensee must include the information specified in a compliance notice given in relation to the matters set out in section 119(1).	28	Section 119(2)	4	<ul style="list-style-type: none"> <li>The licensee has not issued any compliance notices under the Act. Therefore, this obligation cannot be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
If a person makes an application to the State Administrative Tribunal under section 122(1), the licensee cannot take, or continue to take,	29	Section 122(2)	4	<ul style="list-style-type: none"> <li>The licensee has not issued any compliance notices under the Act and therefore there has been no applications to</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
action against the person except in the circumstances specified.				the Tribunal. Therefore, this obligation is not able to be rated for the audit period.		
If the licensee provides a water supply, sewerage or drainage service to 2 or more dwellings on land by a single property connection, the licensee may apportion fees. The licensee cannot apportion fees to the extent inconsistent with any agreement related to such a provision of services, or section 66 of the Strata Titles Act 1985.	30	Section 125(2)	4	<ul style="list-style-type: none"> <li>The licensee's fees are based on rateable land value and therefore it does not apportion fees where two properties share a single property connection.</li> <li>Therefore, this obligation is not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	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"> <li>The licensee advised that it has not lodged any memorials with the Registrar during the audit period. Therefore this obligation is not able to be rated.</li> <li>The CEO advised that the Shire does not make use of memorials with registrar, they use debt collection services instead.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	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"> <li>The licensee is aware of its obligation to provide 48 hours' notice of a proposed entry.</li> <li>Shire staff were not aware of any situations where access to the property has been required, and the sewer faults register contained no records of any property interventions. We note that 48 hours' notice is required unless the owner / occupier agrees otherwise. The Shire's approach would always be to contact the occupier to arrange access.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
If the licensee removes or erects a fence or gate when exercising a works power conferred by the Act, the licensee must take all	33	Section 139(3)	4	<ul style="list-style-type: none"> <li>The licensee is aware of its obligation to provide affected parties notice if it removes or erects a fence or gate.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
reasonable steps to notify the owner before doing so.				<ul style="list-style-type: none"> <li>The licensee has not carried out any works requiring the removal of the fence or gate during the audit period</li> </ul>		
In certain instances, if a person authorised by the licensee carries out road work that involves breaking the surface of the road or that would cause major obstruction to road traffic, the licensee must give at least 48 hours notice to the public authority managing the road.	34	Section 141(1)	4	<ul style="list-style-type: none"> <li>The licensee is also the public authority responsible for managing roads within the operating area with the exception of one major road. Therefore this clause is generally not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NA
The licensee must comply with sections 143 and 144 of the Act in relation to the proposed major works, and has given any notice required under section 148.	35	Sections 142	4	<ul style="list-style-type: none"> <li>The licensee' has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	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"> <li>The licensee' has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
The licensee must, within 5 days of publishing the plans and details on the licensee's website, give notice setting out the matters prescribed in section 143(4) to the persons and agencies specified.	37	Sections 143 (3)	5	<ul style="list-style-type: none"> <li>The licensee has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
The licensee must have regard to an objection or submission lodged within the relevant period.	38	Sections 144(3)	4	<ul style="list-style-type: none"> <li>The licensee has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR



Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
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"> <li>The licensee has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
The licensee must comply with a direction given by a Minister in respect of a proposal to provide water service works that are major works under section 143(3).	40	Section 147(3)	4	<ul style="list-style-type: none"> <li>The licensee has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
If the Minister gives a direction that further notices in relation to the proposed major works be given under section 143(3), the licensee must resubmit the proposal.	41	Section 147(4)	4	<ul style="list-style-type: none"> <li>The licensee' has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
A licensee proposing to provide water service works that are general works must prepare plans and details of the proposed works and publish and make them available for inspection.	42	Section 151(1)	4	<ul style="list-style-type: none"> <li>The licensee has not undertaken any general works during the audit period. Connections to the existing sewerage network which include lengths of sewer mains have been constructed during the audit period but these have been developed by third parties.</li> <li>Therefore, this obligation is not able to be rated</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Works Register</li> <li>Review of drawings</li> </ul>	NA
The licensee must give a notice setting out the matters referred to in section 151(3) to the persons and agencies specified.	43	Section 151(2)	4	<ul style="list-style-type: none"> <li>The licensee has not undertaken any general works during the audit period. Therefore this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Works Register</li> <li>Review of drawings</li> </ul>	NR
The licensee must have regard to an objection or submission lodged by	44	Section 152(3)	4	<ul style="list-style-type: none"> <li>The licensee has not undertaken any general works during the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
the date specified in the notice given under section 151(2).				Therefore this obligation is not able to be rated.	<ul style="list-style-type: none"> <li>Review of Works Register</li> <li>Review of drawings</li> </ul>	
If the licensee makes alteration to those plans or details referred to in section 151, the licensee must give written notice of the alterations to any person who is likely to be adversely affected by those alterations.	45	Section 153(3)	4	<ul style="list-style-type: none"> <li>The licensee has not undertaken any general works during the audit period. Therefore this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Works Register</li> <li>Review of drawings</li> </ul>	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"> <li>The Shire has not been required to take an interest in land under the Act. Therefore, this clause is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
Any costs incurred in taking an interest in land are to be paid by the licensee.	47	Section 166(6)	4	<ul style="list-style-type: none"> <li>The Shire has not been required to take an interest in land under the Act. Therefore, this clause is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
The licensee must not sell an interest in land if the purchaser would hold a parcel of land that did not comply with the minimum lot size and zoning requirements under the Planning and Development Act 2005, unless the Minister permits the licensee to do so.	48	Section 170	4	<ul style="list-style-type: none"> <li>The Shire has not been required to take an interest in land under the Act. Therefore, this clause is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
In relation to entry to a place for the purposes of doing works, in the circumstances specified the licensee is required to give 48 hours notice of proposed entry to a place to the occupier or owner, as applicable, unless the occupier or owner agrees otherwise.	49	Section 173(4)	4	<ul style="list-style-type: none"> <li>The licensee has authorised inspectors under the Act, however no access to dwellings has been required during the period to the Shire's knowledge. Therefore this obligation is not able to be rated.</li> <li>The licensee notes that it will almost always be able to be mutually agree entry with owners or occupiers were necessary.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				<ul style="list-style-type: none"> <li>Further, the licensee has entry powers under other legislation (e.g. under the health act, if there is reason to believe there is a breach) that it may use if necessary.</li> </ul>		
Notice of a proposed entry by the licensee must be in writing and must set out the purpose of the entry, including (if applicable) any work proposed to be carried out.	50	Section 174(1)	4	<ul style="list-style-type: none"> <li>The licensee advised that it has not issued any entry notices during the audit period. Therefore, this obligation is not able to be rated</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
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"> <li>The licensee advised that it has not issued any entry notices during the audit period.</li> <li>Nor was it able to identify instances where it would have been practicable to give notice of entry.</li> <li>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.</li> <li>This obligation is not able to be rated</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
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"> <li>Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. However no unconsented entries were made during the audit period. Therefore, this obligation is not able to be rated.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				<ul style="list-style-type: none"> <li>The licensee notes that it will always strive to be courteous and respectful when dealing with customers.</li> </ul>		
If the licensee enters a dwelling that is unoccupied, the licensee must leave a notice or a copy of the warrant (as applicable) in a prominent position in the dwelling before leaving the dwelling.	53	Section 175(5)	4	<ul style="list-style-type: none"> <li>Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. However no unconsented entries were made during the audit period. Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
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"> <li>Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. However no unconsented entries were made during the audit period. Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
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"> <li>Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. However no unconsented entries were made during the audit period. Therefore, this obligation is not able to be rated</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
If the licensee enters or proposes to enter a place, and the owner or occupier requests the licensee produce evidence of authority for that entry, then the licensee must leave the place if they are unable to do so unless the owner or occupier agrees otherwise.	56	Section 176(4)	4	<ul style="list-style-type: none"> <li>Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. However no unconsented entries were made during the audit period. Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
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	57	Section 181	5	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
interference with the lawful activities of the owner or occupier.				<ul style="list-style-type: none"> <li>The licensee notes that it will always strive to be courteous and respectful when dealing with customers.</li> </ul>		
If the licensee applies for a warrant, the application must contain the prescribed information.	58	Section 186	4	<ul style="list-style-type: none"> <li>The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
If the licensee applies for a warrant to enter, the application must be made in accordance with the procedures specified depending on the location of the applicant and the justice.	59	Section 187(1) – (3)	4	<ul style="list-style-type: none"> <li>The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
Unless required to give a copy of the warrant, the licensee executing the warrant must produce the warrant for inspection by the occupier of the place concerned on entry (if practicable), and if requested to do so.	60	Section 190(4)	4	<ul style="list-style-type: none"> <li>The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
On completing the execution of a warrant the licensee must record the prescribed information on that warrant.	61	Section 190(5)	4	<ul style="list-style-type: none"> <li>The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
If the licensee designates a person as an inspector or compliance officer, the licensee must give that person a certificate of authority that includes certain prescribed information.	62	Section 210(5)	4	<ul style="list-style-type: none"> <li>The licensee has not designated any person as an inspector or compliance officer. Therefore, this obligation cannot be rated</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
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	63	Section 218(2)	5	<ul style="list-style-type: none"> <li>The licensee has not exercised a works power of power of entry under this act during the audit period. Therefore this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
any place is not obstructed, and that as little damage, harm or inconvenience is caused as is possible.				<ul style="list-style-type: none"> <li>The licensee has a strong customer focus and strong connection with its customers which provides assurance that it would comply with this obligation if tested.</li> <li>No complaints regarding the licensee's actions to deliver the water service have been received during the audit period.</li> </ul>		
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"> <li>The licensee has not exercised a works power of power of entry under this act during the audit period. Therefore this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
<b>Water Services Regulations 2013</b>						
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"> <li>The licensee has not exercised a works power in a road during the audit period. Therefore this obligation is not able to be rated.</li> <li>The licensee has well established relationships and processes for liaising with other infrastructure owners.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
If the licensee opens or breaks up the surface of a road, the licensee must complete the relevant work and reinstate and make good the road, and must take all reasonable measures to prevent that part of the road from being hazardous.	75	Regulation 63	4	<ul style="list-style-type: none"> <li>The licensee, as a local authority, is also the roads owner and manager. The exception of relevant is for the small section of State controlled road that coincides with the sewerage network.</li> <li>The licensee is well aware of its obligations to reinstate and make good roads following works.</li> <li>The licensee did not identify any works in the audit period that broke up road</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				surfaces. Therefore, this obligation is not able to be rated.		
Compliance notices issued by the licensee must include a brief description of the possible consequences under the Act of not complying with the notice, and the rights of review under the Act in relation to the notice and who may apply for review.	89	Regulation 85	4	<ul style="list-style-type: none"> <li>The licensee has not issued any compliance notices during the audit period. Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
The licensee must comply with any code of practice made by the Minister to the extent it applies to the licensee.	157	Clause 5.2		<ul style="list-style-type: none"> <li>Refer to observations detailed in Compliance Manual Reference 10.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NA
The licensee must comply with any code of conduct made by the Authority to the extent it applies to the licensee and is not inconsistent with the terms and conditions of the licence.	158	Clause 5.3		<ul style="list-style-type: none"> <li>Refer to observations detailed in Compliance Manual Reference 11.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NA
<b>Water Services Code of Conduct (Customer Service Standards) 2013</b>						
The licensee must have written information for customers about the specified matters.	92	Clause 7	4	<ul style="list-style-type: none"> <li>The Shire has in place a Customer Service Charter and Sewer Connection Policy which details the required information about connections.</li> <li>The Customer Service Charter does not go into detail about some of the information specified in the water services code of conduct; notably :               <ul style="list-style-type: none"> <li>There is no statement about owners of land to which statutory water service</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Customer Service Charter</li> </ul>	2

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				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) and 21(3)(c) ▪ The Customer Service Charter is publically available on the licensee's website and in the entrance to council chambers. ▪ We consider that the extent of information not addressed in the Customer Service constitutes a minor non-compliance – it is made clear that the Shire shall provide the services if a customer applies. However the explicit statements about entitlement and the requirements of customers to comply with Shire requirements are missing.		
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	▪ The licensee does not provide water supply services. Therefore, this obligation is not applicable.	▪ 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	▪ The licensee issues water service charges along with its general Council rates. This is undertaken annually.	▪ Interviews with licensee staff	1
The licensee must issue a bill for usage to each customer at least once in every 6 month period.	95	Clauses 10(2)	4	▪ The licensee does not issue bills for usage. Therefore this obligation is not applicable.	▪ Interviews with licensee staff	NA
The licensee must ensure a bill for usage is based on a meter reading	96	Clauses 10(3)	4	▪ The licensee does not issue bills for usage. Therefore this obligation is not applicable.	▪ Interviews with licensee staff	NA



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

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

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
undercharged 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"> <li>The licensee is not aware of any instances of where it has undercharged customers and has therefore not sought to recover undercharged amounts during the audit period. Therefore this obligation cannot be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
The licensee must allow a customer to pay an undercharged amount by way of a repayment plan that has effect for the duration of shorter of the prescribed periods starting on the day that the bill in clause 16(3) is issued.	110	Clause 16(5)	4	<ul style="list-style-type: none"> <li>The licensee is not aware of any instances of where it has undercharged customers and has therefore not sought to recover undercharged amounts during the audit period. Therefore this obligation cannot be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
If the licensee overcharges a customer, the licensee must credit the customer's account and must immediately afterwards notify the customer, or inform the customer of the overcharging and recommended options for refunding or crediting the overcharged amount.	111	Clause 17(1)	4	<ul style="list-style-type: none"> <li>The licensee's charging is based on property valuation and a set rate (\$charge/\$land value) for residential and commercial properties. There are no usage charges.</li> <li>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</li> <li>The licensee is not aware of any instances of where it has overcharged customers during the audit period. Therefore this obligation cannot be rated.</li> <li>There was one instance of where a customer believed that they had been incorrectly charged for sewerage services</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				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"> <li>The licensee is not aware of any instances of where it has overcharged customers during the audit period. Therefore this obligation cannot be rated.</li> <li>The licensee has in place established procedures for refunding overcharged amounts on other parts of their rates bills. The overcharged amount is immediately credited to the customer's account. The customer then has the option of leaving this amount as a credit against their account or having the amount refunded to them.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
The licensee must review a bill on the customer's request.	113	Clause 18(1)	4	<ul style="list-style-type: none"> <li>The licensee reviews bills when requested to by customers.</li> <li>This is typically performed in person at the Shire offices at the time the request is made.</li> <li>The licensee reports that a small number of requests for review of bills have been received during the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	1
The license must have a written procedure for the review of a bill on the customer's request.	114	Clause 18(2)	4	<ul style="list-style-type: none"> <li>The licensee does not have a written procedure for review of a bill</li> <li>The licensee has reviewed a number of bills during the audit period to the satisfaction of customers despite not having a written procedure.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	2
The review procedure in clause 18(2) must include the specified information and be publicly available.	115	Clauses 18(3) & (6)	4	<ul style="list-style-type: none"> <li>The licensee does not have a written procedure.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	2
The review procedure must state that the customer may, but does not have to, use the licensee's	116	Clause 18(4)	4	<ul style="list-style-type: none"> <li>The licensee does not have a written procedure.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	2

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
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.						
The licensee must inform the customer of the outcome of a review of the customer's bill as soon as practicable or otherwise less than 15 business days from the day the customer's request for review was received.	117	Clause 18(5)	4	<ul style="list-style-type: none"> <li>The licensee confirms that it informs customers of the outcome of the review of bills within 15 business days.</li> <li>Customers are typically informed at the time that they ask for the review as the licensee endeavours to perform all reviews immediately. When the bill is explained this way, customers are usually satisfied.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	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"> <li>The licensee requires payments of its bills within three months of issue (although 35 days is what is written on the bill notice).</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of example bill</li> </ul>	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"> <li>The Licensee accepts payments by all the prescribed methods except direct debit</li> <li>We reviewed a sample bill which we noted provided all the information necessary to make payment by the prescribed methods except for direct debit. This was also provided online.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of example bill</li> </ul>	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"> <li>The license does not apply any additional fees and charges to different payment methods</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
Before receiving a bill payment by direct debit the licensee must obtain the express consent, either orally or	121	Clause 22	4	<ul style="list-style-type: none"> <li>The licensee does not accept payment by direct debit therefore this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
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.						
The licensee must accept payment in advance from a customer on a customer's request.	122	Clause 23(1)	4	<ul style="list-style-type: none"> <li>The licensee accepts payment in advance from customers. Payments are credited to the customer's account.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	1
The licensee must on request and at no charge redirect a customer's bills because of the customer's absence or illness.	123	Clause 24	4	<ul style="list-style-type: none"> <li>The licensee is able to redirect customer's bills on request and at no charge</li> <li>This provision is also set out in the licensee's Financial Hardship Policy</li> <li>The licensee did not identify any instances where it redirected a customer's bill during the audit period and therefore this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Financial Hardship Policy</li> </ul>	NR
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"> <li>The licensee allows customers to pay bills under a payment plan or other arrangement</li> <li>Information on payment plans is set out in its Financial Hardship Policy</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Financial Hardship Policy</li> </ul>	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"> <li>The licensee has in place a Financial Hardship Policy that was approved by the ERA</li> <li>The Financial Hardship Policy is available on the licensee's website</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Financial Hardship Policy</li> <li>Correspondence from ERA dated 20/5/14 approving the Policy</li> </ul>	1
If the licensee's licence was in place before the commencement of the Act, the licensee must have a	126	Clause 26(3)	4	<ul style="list-style-type: none"> <li>The licensee had in place a licence before commencement of the Act (version 2 of its licence which commenced in May 2009)</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
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.				and a new version of its licence came into effect on the same day that the Act came into effect. <ul style="list-style-type: none"> <li>Therefore the licensee was required to 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.</li> <li>Section 27 of the Act commenced on 18 November 2013 (See Note 1 to the Act) and therefore the licensee was required to have a Financial Hardship Policy by 18 May 2014.</li> <li>The licensee's Financial Hardship Policy was approved by the Authority on 16 May 2014 and therefore complied with this obligation, however the policy was in place before approval by the ERA.</li> </ul>	<ul style="list-style-type: none"> <li>Review of Financial Hardship Policy</li> <li>Correspondence from ERA dated 20/5/14 approving the Policy</li> </ul>	
If the licensee's licence was granted after the day on which the Act came into effect, the licensee must have a financial hardship policy within 6 months of the day of the grant of the license.	127	Clause 26(4)	4	<ul style="list-style-type: none"> <li>The licensee was granted a licence before commencement of the Act. Therefore, this obligation is not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with licensee staff</li> <li>Review of Financial Hardship Policy</li> <li>Access to the licensee's website</li> </ul>	NA
The licensee's financial hardship policy must be publicly available.	128	Clause 26(5)	4	<ul style="list-style-type: none"> <li>The Financial Hardship Policy is available on the licensee's website</li> <li>We accessed the Financial Hardship Policy at audit (under Public Documents)</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	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"> <li>The licensee's Financial Hardship Policy was approved in May 2014 and therefore needs to be reviewed before May 2019. Therefore, this obligation cannot be rated for the audit period.</li> <li>Section 8 of the Financial Hardship Policy states that the licensee will review and update the policy at least every five years.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
The licensee must allow a customer experiencing financial hardship to pay a bill under an interest-free or fee-free payment plan other arrangement under which the customer is given more time to pay the bill or to pay arrears.	130	Clause 27(2)	4	<ul style="list-style-type: none"> <li>The licensee allows customers to pay bills under a payment plan or other arrangement that does not incur interest or fees</li> <li>Information on payment plans is set out in its Financial Hardship Policy</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	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"> <li>The licensee does consider writing off amounts owed to it in certain circumstances.</li> <li>Approval for writing off amounts owed must be given by the Council, officers are not authorised to do so.</li> <li>The licensee reports that amounts owed are written off from time to time</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	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"> <li>The licensee only bills owners of lands for water services and therefore meets the requirements of this obligation.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
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"> <li>This information is available in the licensee's Financial Hardship Policy</li> <li>The Financial Hardship Policy is publically available on the licensee's website</li> </ul>	<ul style="list-style-type: none"> <li>Interview with licensee staff</li> <li>Review of Financial Hardship Policy</li> <li>Access to the licensee's website</li> </ul>	1
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	134	Clause 29	4	<ul style="list-style-type: none"> <li>The licensee does not collect debts where a customer is in a payment arrangement</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	1



Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
assessed for payment difficulties or who is being assessed for financial hardship.						
The licensee must not reduce the rate of flow of water to a customer to below 2.3 litres each minute.	139	Clause 33	4	<ul style="list-style-type: none"> <li>The licensee does not provide a potable water supply service. Therefore this obligation is not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NA
The licensee (other than the Water Corporation) must restore a water supply to land within the specified timeframe, unless the licensee and customer expressly agree otherwise.	142	Clauses 34(4)	4	<ul style="list-style-type: none"> <li>The Licensee does not have any customers for the Licensee's water supply (non-potable harvested rainwater). Therefore, this obligation is not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NA
The licensee (other than the Water Corporation) must ensure that there is a 90% compliance rate with clause 34(4) in any 12 month period ending on 30 June.	144	Clauses 34(6)	4	<ul style="list-style-type: none"> <li>The Licensee does not have any customers for the Licensee's water supply (non-potable harvested rainwater). Therefore, this obligation is not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NA
The licensee must have a written complaints procedure in relation to investigating and dealing with complaints of customers about the provision of water services by the licensee or a failure by the licensee to provide a water service.	145	Clauses 35(1)	4	<ul style="list-style-type: none"> <li>The licensee's Customer Service Charter details the Shire's complaints procedure</li> <li>Complaints may be received by telephone, in person at the Shire's customer service centre or via a webform on the licensee's website.</li> <li>The Shire has a file with recorded complaint, which include complaints about all aspects of the council's responsibility (i.e. including complaints about residents, animals, roads, etc). We reviewed this file during the audit and confirm there were no complaints about the water services.</li> <li>The Shire has a complaints form which constitutes a basic procedure as it outlines responsibilities, actions, outcomes and dates.</li> <li>The licensee has in place important parts of a complaints handing procedure.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	2

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				However, the complaints procedure is not fully documented <ul style="list-style-type: none"> <li>▪ We consider that this constitutes a minor non-compliance</li> </ul>		
The licensee's complaints procedure must be developed using as minimum standards the relevant provisions of the AS ISO 10002-2006 and the Authority's guidelines (if any).	146	Clause 35(2)	4	<ul style="list-style-type: none"> <li>▪ The main components of a complaints procedure under AS ISO1002-2006 (now superseded by the 2014 version) are:               <ul style="list-style-type: none"> <li>– Commitment</li> <li>– Supporting policy and procedures</li> <li>– Defined responsibilities</li> <li>– Staff awareness</li> </ul> </li> <li>▪ 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.</li> <li>▪ We consider that as above this constitutes a minor non-compliance.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> </ul>	2
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.	147	Clauses 35(3)	4	<ul style="list-style-type: none"> <li>▪ The licensee's complaints processes does not fully cover these areas. We consider this to be a minor non-compliance.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> </ul>	2
The licensee's complaints procedure must inform the customer that they 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	148	Clauses 35(4)	4	<ul style="list-style-type: none"> <li>▪ The licensee's complaints procedure does not cover these areas. We consider this to be a minor non-compliance.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> </ul>	2

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
complaint 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"> <li>The licensee does not make its complaints procedure required under Clause 35 available publically. We consider this to be a minor non-compliance.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	2
The licensee must provide a customer with the specified services on request and at no charge.	150	Clause 36(1)	4	<ul style="list-style-type: none"> <li>The licensee makes these services available to customers at no charge.</li> <li>The licensee has in place a disability access and inclusion plan</li> <li>We have witnessed that many of the licensee's documents, e.g. the Financial Hardship Policy, include accessibility information</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Disability access and inclusion plan</li> <li>Financial Hardship Policy</li> </ul>	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"> <li>The licensee provides account information such as current account balance when requested.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	1
The licensee must make the prescribed information publicly available.	153	Clause 37(1)	4	<ul style="list-style-type: none"> <li>The licensee makes the required information publically available as follows:               <ol style="list-style-type: none"> <li>Fees and charges are publically available on the licensee's website in the annual budget</li> <li>Bill payment methods are available on the customer's bill and the website</li> <li>Exemptions, rebates, discounts are on the customer's bill and on the website</li> <li>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</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Disability access and inclusion plan</li> <li>Financial Hardship Policy</li> </ul>	2

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				<p>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 does not have meters connected to its water service</p> <p>(f) Not applicable</p> <p>(g) Not applicable</p> <p>(h) Not applicable</p> <p>(i) Not applicable</p> <p>(j) Not applicable</p> <p>(k) Not applicable</p> <p>(l) Not applicable</p>		
<b>Accounting Records (Clause 12)</b>						
The licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.	160	Clause 12	5	<ul style="list-style-type: none"> <li>Accounting records are prepared in accordance with AASB standards.</li> <li>Financial records are included in the Shires' annual reports and are published on the internet.</li> <li>The financial statement includes a sign-off from the independent auditor and the Shire's CEO that the financial report complies with the Australian Accounting Standards and the provisions of the Local Government Act 1995 and the regulations under that Act related to Financial Management.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of financial statements in annual reports</li> </ul>	1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
<b>Individual Performance Standards (Clause 13)</b>						
The licensee must comply with any individual performance standards prescribed by the Authority.	161	Clause 13.1	4	<ul style="list-style-type: none"> <li>There are no individual performance standards specified in Schedule 3 of the licensee's licence. Therefore, this obligation is not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NA
<b>Operational Audit (Clause 14)</b>						
The licensee, must, unless otherwise notified in writing by the Authority, provide the Authority with an operational audit within 24 months after the commencement date, and every 24 months thereafter.	9	Clause 14.1	5	<ul style="list-style-type: none"> <li>The licensee is currently subject to operational audits at 36 month intervals and this was confirmed by the Authority in writing at the completion of the last audit.</li> <li>The last operational audit was undertaken in 2011 by Quantum Assurance (report prepared in February 2012) which covered the period from 1 December 2008 to 30 November 2011.</li> <li>The next operational audit (this audit) covers the period from 1 December 2011 to 30 November 2014.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of previous operational audit report (Quantum Assurance, February 2012)</li> </ul>	1
The licensee must cooperate with the independent expert and comply with the Authority's standard audit guidelines dealing with the operational audit.	162	Clause 14.4	4	<ul style="list-style-type: none"> <li>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)</li> <li>The audit has been conducted following the audit plan prepared in accordance with the guidelines and approved by the Authority.</li> <li>The licensee has complied with all requests for information made by the auditor and has made its staff and resources freely available to assist the conduct of this audit.</li> <li>The licensee's staff have acted in a professional and helpful manner throughout this audit.</li> </ul>		1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
<b>Reporting a Change in Circumstance (Clause 15)</b>						
The licensee must report to the Authority, in the manner prescribed, if a licensee is under external administration or there is a material change in the circumstances upon which the licence was granted which may affect a licensee's ability to meet its obligations.	163	Clause 15.1(a), (b), (c)	4	<ul style="list-style-type: none"> <li>The licensee is not under external administration and there has been no material change of circumstances. Therefore, this clause is not able to be rated</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
The licensee must report to the Authority within 10 business days of providing or undertaking water service works that are major works or general works.	164	Clause 16.1	4	<ul style="list-style-type: none"> <li>As noted, the licensee has not undertaken any major works or general works during the audit period. Therefore this obligation is not able to be rated</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
<b>Provision of Information (Clause 16)</b>						
The licensee must provide the Authority any information that the Authority may require in connection with its functions under the Act in the time, manner and form specified by the Authority.	165	Clause 16.1	4	<ul style="list-style-type: none"> <li>The licensee has generally provided the required information to the Authority.</li> <li>In August 2014 the ERA noted that the compliance report was provided without any missing information and on time. The licensee did not have information available on the submission of the compliance reports for the other years within the scope of this audit.</li> <li>We obtained the performance reports for the years 2009-10, 10-11, 11-12, 12-13 and 13-14.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>2013/14 Compliance Report</li> </ul>	1
The licensee must comply with any information reporting requirements prescribed by the Authority, including but not limited to the provisions of the Water Compliance	166	Clause 16.2	4	<ul style="list-style-type: none"> <li>As noted, the licensee provided the 2014 compliance report on time but did not have records regarding the submission of the reports for the other years covered by the audit.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>2013/14 Compliance Report</li> </ul>	1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
Reporting Manual that apply to the licensee.						
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 Performance Framework that apply to the licensee.	167	Clause 16.3	3	<ul style="list-style-type: none"> <li>The audit has been conducted following the audit plan prepared in accordance with the guidelines and approved by the Authority.</li> <li>The licensee has complied with all requests for information made by the auditor and has made its staff and resources freely available to assist the conduct of this audit.</li> <li>The licensee's staff have acted in a professional and helpful manner throughout this audit.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Performance reporting data for 11/12, 12/13, 13/14</li> </ul>	1
<b>Publishing Information (Clause 17)</b>						
Subject to clause 17.3, the licensee must publish within the specified timeframe any information that the Authority has directed the licensee to publish under clause 17.1.	168	Clause 17.2	4	<ul style="list-style-type: none"> <li>The Authority has not directed the licensee to publish information related to this obligation. Therefore the obligation cannot be rated.</li> <li>Note that publication of the Financial Hardship Policy followed timing under legislation, not at the Authority's direction.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
<b>Notices (Clause 18)</b>						
Unless otherwise specified, all notices must be in writing.	169	Clause 18.1	4	<ul style="list-style-type: none"> <li>The licensee issues all formal correspondence in writing.</li> <li>We reviewed a sample of correspondence at audit</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Annual Compliance</li> </ul>	1
<b>Asset Management System (Clause 20)</b>						
The licensee must provide for, and notify the Authority of, an asset management system within the specified time unless otherwise notified by the Authority.	170	Clause 20.1	4	<ul style="list-style-type: none"> <li>The licensee provided details of the asset management system at the time of its licence application. This obligation is not applicable for the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NA

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
The licensee must notify the Authority of any material change to the asset management system within 10 business days of the change.	171	Clause 20.2	5	<ul style="list-style-type: none"> <li>The licensee has not materially changed its asset management system during the audit period and therefore this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
The licensee must cooperate with the independent expert and comply with the Authority's standard guidelines dealing with the asset management system review.	172	Clause 20.6	4	<ul style="list-style-type: none"> <li>The asset management system review is being conducted in accordance with the Authority's <i>Audit and Review Guidelines: Water Licences (2014)</i> and the preceding <i>Audit Guidelines: Electricity, Gas and Water Licences (2009)</i> as both were in effect during the audit period.</li> <li>An audit plan consistent with these guidelines has been prepared prior to this audit. The licensee has been consulted with respect to the audit plan and the audit plan has been approved by the Authority.</li> <li>The outcomes of the asset management system review are in a later section of this report.</li> </ul>	<ul style="list-style-type: none"> <li>Audit and review plan</li> <li>Audit and review guidelines</li> <li>Interviews with licensee staff</li> </ul>	1
The licensee must have an asset management system that provides for the operation and maintenance of the water service works.	6	Clause 20.1	4	<ul style="list-style-type: none"> <li>The licensee has in place an asset management system for the operation and maintenance of its water service works.</li> <li>The main components of the asset management system are:               <ul style="list-style-type: none"> <li>A comprehensive asset management plan that is updated annually</li> <li>Inspection, monitoring and operation procedures and checklists</li> <li>Staff training and awareness</li> </ul> </li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Asset management plan</li> <li>Weekly operator checklist</li> <li>Maintenance and operations procedures</li> <li>Supporting tools</li> </ul>	1



Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
The licensee must give details of the asset management system and any changes to it to the Authority.	7	Clause 20.2	5	<ul style="list-style-type: none"> <li>The licensee provided details of the asset management system at the time of its licence application. This obligation is not applicable for the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NA
A licensee must provide the Authority with a report by an independent expert as to the effectiveness of its asset management system every 24 months, or such longer period as determined by the Authority.	8	Clause 20.3	5	<ul style="list-style-type: none"> <li>An asset management system review was conducted by Quantum assurance in early 2012 (report prepared May 2012), which covered the period from 1 December 2008 to 30 November 2011.</li> <li>The next asset management system review (this review) covers the period from 1 December 2011 to 30 November 2014.</li> </ul>	<ul style="list-style-type: none"> <li>This report</li> </ul>	1
<b>Water Services Ombudsman Scheme (Clause 21)</b>						
The licensee must not supply water services to customers unless the licensee is a member of and bound by the water services ombudsman scheme.	173	Clause 21.1	4	<ul style="list-style-type: none"> <li>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</li> <li>The licensee is a member of this scheme as outlined in the Financial Hardship Policy Document</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Correspondence</li> <li>Ombudsman website</li> </ul>	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	Clause 21.1	4	<ul style="list-style-type: none"> <li>The licensee has agreed to be bound by and compliant with any decision or direction of the Ombudsman</li> <li>No complaints concerning the licensee have been referred to the Ombudsman during the audit period</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Correspondence</li> <li>Complaints register</li> </ul>	1
<b>Standard Terms &amp; Conditions of Service (Clause 22)</b>						
Subject to the Act and the terms of a customer contract that apply to the water service, the licensee must	174	Clause 22.1	4	<ul style="list-style-type: none"> <li>There are no Standard Terms and Condition of Service that apply to the licensee. This obligation is not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NA

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
supply water services in accordance with the terms and conditions set out in Schedule 4 (if any).				<ul style="list-style-type: none"> <li>The licensee seeks to provides its services in accordance with the Act and other legislation including the Local Government Act 1995</li> </ul>		
<b>Customer Contract (Clause 23)</b>						
If directed by the Authority, the licensee must submit a draft customer contract for approval.	175	Clause 23.1	5	<ul style="list-style-type: none"> <li>The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
The licensee must comply with any Customer Contract Guidelines that apply to the licensee.	176	Clause 23.2	5	<ul style="list-style-type: none"> <li>The Authority has, to date, not issued Customer Contract Guidelines. This obligation is not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NA
The licensee may only amend the customer contract with the Authority's approval.	177	Clause 23.3	5	<ul style="list-style-type: none"> <li>The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
The licensee must comply with any direction by the Authority to amend the customer contract.	178	Clause 23.6	5	<ul style="list-style-type: none"> <li>The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
<b>Non Standard Terms &amp; Conditions of Service (Clause 24)</b>						
Unless clause 24.3 applies, the licensee cannot enter into an agreement with a customer to provide water services that exclude, modify or restrict the terms and conditions of the licence or the requirements of the Customer Services Code without the prior approval of the Authority.	179	Clause 24.1 and 24.2	4	<ul style="list-style-type: none"> <li>The licensee has not entered into any agreements with customers to provide water services that exclude, modify or restrict the terms and conditions of the licence or the requirements of the Customer Services Code.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
If the licensee enters into an agreement that excludes, modifies	180	Clause 24.4	4	<ul style="list-style-type: none"> <li>The licensee has not entered into any agreements with customers to provide</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
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.				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 able to be rated.		
<b>Supplier of Last Resort (Clause 25)</b>						
If the licensee is appointed as the supplier of last resort for a designated area, the licensee must perform the functions of a supplier of last resort, comply with the duties imposed by the Act and carry out its operations under or for the purpose of the last resort plan in accordance with the Act.	181	Clause 25.1	4	<ul style="list-style-type: none"> <li>The licensee has not been appointed as a supplier of last resort. This obligation is not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NA
If the licensee is the supplier of last resort for a designated area, the licensee must perform the functions of the supplier of last resort and must comply with the relevant duties and carry out the relevant operations prescribed.	14	Clause 25.1	4	<ul style="list-style-type: none"> <li>The licensee has not been appointed as a supplier of last resort. This obligation is not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NA
<b>Duties of the Licensee (Clause 26)</b>						
The licensee must comply with the duties imposed on it by the Act in relation to its licence and must carry out its operations in respect of the licence in accordance with the Act.	12	Clause 26.1	4	<ul style="list-style-type: none"> <li>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.</li> <li>A summary of the licensee's compliance with its duties under the Act is as follows:               <ul style="list-style-type: none"> <li>Section 21: Must provide service – the licensee provides the water service required. See obligations 1, 2 and 3</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	2

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				<ul style="list-style-type: none"> <li>– 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.</li> <li>– Section 23: Works holding – the licensee holds its works and therefore complies with this duty. See obligation 5.</li> <li>– Section 24: Asset Management System – the license has in place an effective asset management system. See obligations 6 – 8</li> <li>– Section 25: Operational audit – the licensee has conducted operational audits as required. See obligation 9</li> <li>– 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</li> <li>– 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</li> </ul>		
<b>Provision of Water Services (Clause 27)</b>						
The licensee must provide a water service authorised by the licence to persons entitled to the service under the Act, except to the extent otherwise provided for by the Act.	1	Clause 27.1	5	<ul style="list-style-type: none"> <li>▪ The licensee provides sewerage services and non-potable water services under the Act</li> <li>▪ The sewerage service is available for connection in almost all residential areas of the town of Koorda.</li> <li>▪ The licensee's Customer Service Charter sets out the conditions of and process for connecting to its sewerage network. There</li> </ul>		1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
				<p>is also information in the licensee's Sewerage Connections Policy.</p> <ul style="list-style-type: none"> <li>The non-potable water supply service is not available to customers – it consists of stormwater runoff only (not recycled water) and is used for irrigation of the sports oval. Land owners are not entitled to this service as they do not pay a water service charge for it.</li> <li>The map showing the Shire's operating area is available and can be downloaded from the Authority's website. The map of the operating area is also accessible by all staff.</li> <li>The Shire advised that services are provided within the confines of the operating area. All rateable properties are listed in the corporate billing system, [name of billing system]. Customers are billed for sewerage services if they are located within 90m of the sewer network.</li> <li>Although there are some areas with septic tanks within the Shire's overall operating area, the Shire can enforce connection to the sewer system if the customer is within 90m of the network. However, the Shire does not enforce this unless there is a failure to maintain the customer's septic system or if the block is being sub-divided.</li> </ul>		
The licensee must offer to provide a water service on reasonable terms, unless provision of the service is not financially viable or is otherwise not practicable, to persons within the operating area who are not entitled to the service under the Act.	2	Clause 27.1	4	<ul style="list-style-type: none"> <li>The water service charges are determined annually by Council as part of its budgeting process. Council determines reasonable charges based on its costs to operate, maintain and renew the system.</li> <li>Water service charges are based on the rateable value of the land (GRV) determined by the state valuer.</li> </ul>		1

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
The licensee must provide, operate and maintain the water service works specified by the Authority in the licence.	3	Clause 27.1	4	<ul style="list-style-type: none"><li>▪ The licensee advises that there have been no instances where it has discontinued providing a service because it has been not practicable or not financially viable.</li><li>▪ The sewer network is limited to the extent of the Koorda township. New developments are required to connect to the network if they are near the network.</li></ul>		
				<ul style="list-style-type: none"><li>▪ The licensee has in place an effective asset management system for the operation and maintenance of its water service works. We have undertaken an asset management review at the same time as this operational audit and the findings of this review are presented later in this report.</li><li>▪ The licensee now uses directly employed staff to operate and maintain its water service works. Responsibility for the sewerage reticulation system and sewage treatment plant and the non-potable water supply rests with the works manager.</li><li>▪ We inspected the licensee’s assets at the time of audit including the pumping stations, the treatment plant, the non-potable water storage dam and reticulation assets</li></ul>		1
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	Clause 28.1(b)	4	<ul style="list-style-type: none"><li>▪ The licensee does not provide a water service outside of the operating area. This obligation is not able to be rated for the audit period.</li></ul>	<ul style="list-style-type: none"><li>▪ Interviews with licensee staff</li><li>▪ Review of operating area map</li><li>▪ Inspection of assets</li></ul>	NR

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
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	Clause 28.1	4	<ul style="list-style-type: none"> <li>The licensee does not provide a water service outside of the operating area. This obligation is not able to be rated for the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
<b>Works Holding Arrangements (Clause 29)</b>						
All water service works used by the licensee in the provision of a water service must be held by the licensee, or must be covered by an agreement whereby the licensee can operate the works so as to comply with its obligations, or must fit in to other prescribed categories under the Act.	5	Clause 29.1	4	<ul style="list-style-type: none"> <li>The licensee owns all of the water service works used to provide the water service</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review financial records</li> </ul>	1
<b>Hardship Policy (Clause 30)</b>						
The licensee must comply with the Authority's Financial Hardship Policy Guidelines as they apply to the licensee.	183	Clause 30.3	4	<ul style="list-style-type: none"> <li>The licensee has prepared a Financial Hardship Policy with reference to the Authority's guideline and using the template provided by the Authority. The Financial Hardship Policy has been approved by the Authority.</li> </ul>	<ul style="list-style-type: none"> <li>Financial Hardship policy.</li> <li>Correspondence with ERA</li> </ul>	1
<b>Memorandum of Understanding (Clause 31)</b>						
The licensee must enter into a Memorandum of Understanding with the Department of Health as soon as practicable after the commencement date.	184	Clause 31.1	N/A	<ul style="list-style-type: none"> <li>The licensee does not provide potable water. This obligation is not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review asset management plan</li> <li>Inspection of assets</li> </ul>	NA
The Memorandum of Understanding must comply with the specified requirements in relation to legal	185	Clause 31.2	N/A	<ul style="list-style-type: none"> <li>The licensee does not provide potable water. This obligation is not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NA

Performance Areas	Compliance Manual Ref	Licence/ Code Clause/ Section	Priority	Observations	Evidence (Include Contact)	Compliance Rating
standing of the document and compliance audits by the Department of Health.					<ul style="list-style-type: none"> <li>Review asset management plan</li> <li>Inspection of assets</li> </ul>	
The licensee must comply with the terms of the Memorandum of Understanding.	186	Clause 31.3	N/A	<ul style="list-style-type: none"> <li>The licensee does not provide potable water. This obligation is not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review asset management plan</li> <li>Inspection of assets</li> </ul>	NA
<b>Performance Standards (Schedule 3)</b>						
The licensee must comply with the service and performance standards as set out in Schedule 3.	190	Schedule 3	N/A	<ul style="list-style-type: none"> <li>Schedule 3 is blank, this is not applicable</li> </ul>		NA



## 5.2. Asset management system review

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

**Table 5-2 Asset management system review observations**

Description	Observations	Evidence (Include Contact)
<b>Asset planning</b> <ul style="list-style-type: none"> <li>Asset management plan covers key requirements</li> <li>Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning</li> <li>Service levels are defined</li> <li>Non-asset options (e.g. demand management) are considered</li> <li>Lifecycle costs of owning and operating assets are assessed</li> <li>Funding options are evaluated</li> <li>Costs are justified and cost drivers identified</li> <li>Likelihood and consequences of asset failure are predicted</li> <li>Plans are regularly reviewed and updated</li> </ul>	<ul style="list-style-type: none"> <li>The Asset Management Plan was revised in June 2014</li> <li>We note that the Asset Management Plan is for sewer service assets – we did not see an Asset Management plan for non-potable water assets, although the Shire does have a licence for non-potable water services.</li> <li>The key areas of asset management are covered, notable Levels of Service and Demand, Risk, Lifecycle analysis, Finances, Asset Management Practice (systems), improvements and monitoring.</li> <li>The Shire does not have a GIS for sewer assets, but has hard copies of plans. This is adequate for the level of investment.</li> <li>Customer consultation is carried out during council meetings and through the newsletter</li> <li>There is no section on stakeholder views in the Asset management plan. Customer expectations were referred to in the Customer Service Charter.</li> <li>However, according to the Customer Service Charter, “On the 3 December 2007 an article was placed in the local paper asking for public comment on the Customer Service Charter for waste water services for the Shire of Koorda townsite sewerage scheme. There was no public comment received”. This was repeated in June 2011, and again no comments were received.</li> <li>Levels of service are detailed in a number of areas of the plan. These include reference to legislative requirements, as well as ‘Levels of Service and Demand Management’ defined and the performance standards set out in the former version of the licence.</li> <li>The plan includes an assessment of future population growth based on historical data. Stable to low population growth is forecast and this is expected to result in stable demand</li> <li>The stable growth means that there are no capacity upgrades planned in the planning horizon. No augmentation assets have been considered and therefore no non-asset options were considered.</li> </ul>	<ul style="list-style-type: none"> <li>GIS</li> <li>Asset database / information system</li> <li>Overview of planning approach</li> <li>Population projections</li> <li>Infrastructure Planning Reports</li> <li>Example planning reports</li> <li>Review of asset management plans</li> <li>Service level agreements</li> </ul>

Description	Observations	Evidence (Include Contact)
	<ul style="list-style-type: none"> <li>Non-asset options do not appear to have not been considered for replacement of existing assets, however demand management is not an option considering there is no expected growth in demand. There is no expected decline in demand and so non-asset replacements for existing assets has also not been considered, given existing assets are not expected to reach the end of the life during the period of the AMP</li> <li>The Shire has prepared a renewals model to determine the appropriate annuity</li> <li>The Shire prepares an annual operating budget as part of the overall Shire budget preparation process</li> <li>The asset management plan does not explore funding alternatives other than the assumed rates revenue. However given the calculated annuity is covered by rates revenues, no additional funding appears to be required.</li> <li>The licensee has adopted a number of key service criteria to assist in its asset planning – these are Safety, Quality, Legislative, Corporate and Efficiency. A possible improvement could be adopting or also including the standard asset management drivers of renewals, growth and compliance in place of its existing drivers.</li> <li>The Shire has a risk management framework consistent with ISO31000. This is documented in its asset management plan</li> <li>The likelihood and consequence of asset failure have been assessed comprehensively and are set out in the section on Environmental Analysis</li> <li>Detailed contingency plans exist for all of the water service assets.</li> <li>The Shire's asset management planning has been continually improved since inception in 1998. The asset management plan was last updated in June 2014.</li> </ul>	
<b>Asset creation/acquisition</b> <ul style="list-style-type: none"> <li>Full project evaluations are undertaken for new assets</li> <li>Evaluations include all life-cycle costs</li> <li>Projects reflect sound engineering and business decisions</li> </ul>	<ul style="list-style-type: none"> <li>Asset creation and acquisition is undertaken in accordance with the Shire's procurement policies and budgeting process.</li> <li>Expenditure is subject to review through the annual budgeting process</li> <li>The Shire's capital expenditure is almost exclusively for renewals. Therefore, the need for the works is genuinely quite clear.</li> <li>The Shire's procurement processes require at least three quotes to be obtained for expenditure over \$1,000 where the</li> </ul>	<ul style="list-style-type: none"> <li>Asset database / information system</li> <li>Policies and procedures for asset creating and acquisition. Accounting and engineering</li> </ul>

Description	Observations	Evidence (Include Contact)
<ul style="list-style-type: none"> <li>Commissioning tests are documented and completed</li> <li>Ongoing legal / environmental / safety obligations of the asset owner are assigned and understood</li> </ul>	<p>supplier is not on a state-wide (WALGA) preferred supplier panel. This assists in achieving efficient costs. WALGA recommends three quotes even when procuring from preferred suppliers.</p> <ul style="list-style-type: none"> <li>There are no forecast capital expenditure (maintenance is not capitalised) in the next 5 years – as such, none are detailed in the Asset Management Plan. The AMP does calculate the total annuity value of the assets at \$20,000.</li> <li>An opportunity for improvement would be for the Shire to develop a simple expenditure justification template for each expenditure item and the completed templates could sit outside of the asset management plan to allow more regular updating. This template would cover: need for the expenditure, driver, options considered and cost assessment, description of preferred option, procurement process, timing for expenditure, opex due to capex etc. Whole of life costing is part of the local government business case process.</li> <li>Note that Koorda has a separate asset management plan for all of its assets (required under the local government act 1995). The requirement for corporate business plans, an asset management plan, long term financial plan, strategic community plan, and a workforce plan. These plans must be adopted by council and then adopted by the Department of Local Government and Communities.</li> <li>We did not observe any asset creation evaluations as no assets have been created in the recent past.</li> <li>We did not observe any project documentation or analysis as no assets have been created in the recent past</li> <li>The AMP adequately describes the legal / environmental and safety obligations of the asset owner.</li> </ul>	
<p><b>Asset disposal</b></p> <ul style="list-style-type: none"> <li>Under-utilised and under-performing assets are identified as part of a regular systematic review process</li> <li>The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken</li> </ul>	<ul style="list-style-type: none"> <li>There are two pump stations with non-passive assets. The Shire is not aware of any issues with those pumps, both of which are required. The size of the pumps would not allow much scope for downsizing or optimising due to under-utilisation. The cost-benefit of doing significant technical analysis to optimise the system is likely to be negative. Run to break (or fail) is the operational method – given the very low failure rate of these pumps and low consequences of failure, this is appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>Asset database / information system</li> <li>Policies and procedures for asset disposal. Accounting and engineering</li> </ul>

Description	Observations	Evidence (Include Contact)
<ul style="list-style-type: none"> <li>Disposal alternatives are evaluated</li> <li>There is a replacement strategy for assets</li> </ul>	<ul style="list-style-type: none"> <li>The Shire regularly inspects its facility assets, typically weekly at the treatment plant. Any asset deficiencies of condition and performance are noted on in staff journals / notebooks.</li> <li>Sewers are currently run to fail. Blockages are caused by roots in spring (after winter growth). Earthquake considered to be a low probability but major consequence risk (terracotta pipes). Network laid in the 70s. Opportunity could be occasional inspections of trunk mains, certainly after any tremors.</li> <li>Operational data such as pump station operating times and fuel used is not monitored to the knowledge of CEO.</li> <li>We consider that run to fail is an acceptable asset management and disposal management technique, given the low cost-benefit of a pre-emptive disposal program and current acceptable levels of service. E.g. with tree root blockages, the removal of trees may be less preferable to residents than the occasional blocked sewer.</li> <li>Where an existing asset has failed, a like for like replacement (or repair on sewer main) is typically the most appropriate option and with the existing, failed asset disposed of</li> <li>There are no examples of existing assets that the Shire is considering for disposal without being replaced.</li> <li>Asset under utilisation (e.g. due to declining demand) may not necessarily result in corrective action or disposal, if this is not cost effective.</li> <li>There were no examples of asset disposals to evaluate.</li> </ul>	
<b>Environmental analysis</b> <ul style="list-style-type: none"> <li>Opportunities and threats in the system environment are assessed</li> <li>Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved</li> <li>Compliance with statutory and regulatory requirements</li> <li>Achievement of customer service levels</li> </ul>	<ul style="list-style-type: none"> <li>The Shire has identified statutory and regulatory requirements in its asset management plan. However, it only refers to these as generic documents. It might be useful to refer to specific clauses of this legislation and how the plan conforms to those clauses.</li> <li>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. We consider that this assessment provides the Shire with a robust understanding of its operating environment.</li> <li>Performance is measured and reported to the ERA in the annual reporting sheets. The choke / overflow targets under the previous licence were not always achieved.</li> </ul>	<ul style="list-style-type: none"> <li>Policies and procedures</li> <li>Planning reports</li> <li>Customer service</li> <li>Compliance reports</li> <li>Strategic plans (if appropriate)</li> <li>Correspondence with regulators regarding compliance, e.g. Department of Environment Regulation</li> </ul>

Description	Observations	Evidence (Include Contact)
	<ul style="list-style-type: none"> <li>The Shire has a compliance manual which broadly covers the legislative requirements.</li> <li>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.</li> <li>The Shire has an EPA licence (no. L5689/1993/3) which was subjected to inspection on 6 March 2014 by Dept. of Environment Regulation – there were some minor non-compliances identified which were rectified by the Shire and this was confirmed by a letter sent from the Dept. of Environment Regulation on the 23<sup>rd</sup> of April.</li> <li>It would be difficult for the Shire to demonstrate that it meets some of the customer service levels due to the lack of records about customer contact and job dispatching.</li> </ul>	
<b>Asset operations</b> <ul style="list-style-type: none"> <li>Operational policies and procedures are documented and linked to service levels required</li> <li>Risk management is applied to prioritise operations tasks</li> <li>Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data</li> <li>Operational costs are measured and monitored</li> <li>Staff resources are adequate and staff receive training commensurate with their responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>Operation and maintenance procedures not systematic – scope to develop useful version of these (e.g. laminated cards attached to machinery).</li> <li>Quickbooks is also used by staff to monitor expenditure against budget and make adjustments accordingly.</li> <li>Comprehensive contingency plans have been developed for responses to asset failures.</li> <li>A Maintenance management spreadsheet exists which plans routine and preventative maintenance on the basis of the risk assessment. A works register contained in the same spreadsheet used to log when these tasks were actually performed, but this was discontinued in 2007 and references "files on server".</li> <li>The Shire developed an asset register in 2007 when condition and value were assessed. This is also its financial asset register for valuation purposes. The asset register details asset quantities and condition.</li> <li>We were not able to see an electronic GIS of asset locations, but the Shire does have a detailed satellite map and hard copy maps, or Department of Land Administration. Sewer network maps currently hard copies.</li> <li>The Shire uses Quickbooks for its accounting with activity based costing (timesheets). This includes a cost centre for the water service (different areas of the sewerage service). Materials and plant are costed to this cost centre. Staff time is</li> </ul>	<ul style="list-style-type: none"> <li>Asset information system</li> <li>SCADA</li> <li>Asset register</li> <li>Operations procedures</li> <li>Operational costs</li> <li>Daily / weekly / monthly checksheets</li> <li>Staff skills / resourcing structure</li> </ul>

Description	Observations	Evidence (Include Contact)
	<p>apportioned to this cost centre based on pre-determined ratios which is appropriate. This allows robust recording and tracking of costs for the service.</p> <ul style="list-style-type: none"> <li>There does not appear to be a formal works register. There are timesheets (activity based costing). We recommend that the licensee implements a fit for purpose works register to identify planned operations and maintenance activities and tracks their completion.</li> <li>Staff do SWIMs and “take fives” for Occupation Health and Safety.</li> <li>The Shire is implementing a skills redundancy program to ensure a diversification of skills.</li> </ul>	
<b>Asset maintenance</b> <ul style="list-style-type: none"> <li>Maintenance policies and procedures are documented and linked to service levels required</li> <li>Regular inspections are undertaken of asset performance and condition</li> <li>Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule</li> <li>Failures are analysed and operational / maintenance plans adjusted where necessary</li> <li>Risk management is applied to prioritise maintenance tasks</li> <li>Maintenance costs are measured and monitored</li> </ul>	<ul style="list-style-type: none"> <li>Maintenance activities and their planned frequency are summarised in Section 4.3 of the Asset Management Plan.</li> <li>The procedures focus on the treatment plant and ponds, rather than the network (which is run to fail with the exception of an annual inspection. However service level failures tend to occur in the network. The maintenance activities are therefore not perfectly aligned with target service levels, however we note that the service level of 0.4 chokes per km per year has now been abandoned.</li> <li>There is a routine maintenance schedule as part of the AMP – but it is difficult to determine if this is respected without a works register (timesheets do not give the requisite detail). We recommend that the licensee implements a fit for purpose works register to identify planned operations and maintenance activities and tracks their completion.</li> <li>Maintenance plans are documented, and may be completed on schedule however this is difficult for the Shire to demonstrate.</li> <li>Failures are logged in the faults register and maintenance plans adjusted reflecting the nature and frequency of the faults.</li> <li>We note that the risk assessment referred to under Table 3 of the AMP risk Mitigation and Management Strategies makes reference to relevant maintenance tasks demonstrating that the Shire has considered risk in planning its maintenance.</li> <li>Maintenance activities could be slightly better aligned to risks – e.g. the risk of a blockage is not in the risk table, but most maintenance activities are about preventing this risk (pump inspections, manhole inspections etc). Some risks could also have preventative maintenance activities linked to them (e.g.</li> </ul>	<ul style="list-style-type: none"> <li>Asset information system</li> <li>Maintenance procedures and schedules</li> <li>Record of maintenance</li> <li>Maintenance costs</li> </ul>

Description	Observations	Evidence (Include Contact)
	disaster prep for earthquake – maintain spare generators, maintain torches, and maintain water tanker). ▪ As noted above, maintenance costs are tracked in Quickbooks.	
<b>Asset management information system</b> ▪ 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	▪ The Share has a considerable volume of asset related documentation including a digital asset register, contingency plans, the Asset Maintenance Plan etc. ▪ This is stored on the network drive and is adequate for users. ▪ The Shire does not have a sophisticated asset management system which involves a database with server / client arrangements. Rather, it has the linked spreadsheet system developed by GHD. This is an appropriate system provided data is regularly backed up (which is it). Financial information using the Quickbooks system does have appropriate verification and validation. ▪ Access governed by standard IT access – small team requires redundancy and so all staff have access to all areas. This is probably appropriate as restricting access would quickly create informational problems and lead to “offline versions” and parallel systems. ▪ Data back-up is undertaken regularly – stored off site. ▪ We cross checked the numbers of sewer faults in the hard copy register with the numbers reported and they corresponded. ▪ Management reports consist of fault reporting from the operators and this is adequate to monitor key licence obligations. As previously mentioned, some service targets (i.e. response times) could be better demonstrated if the Share could track customer contacts / work requests. These targets may currently be achieved but it is hard to demonstrate they are.	▪ Asset Management Information system ▪ Asset reports
<b>Risk management</b> ▪ 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 AMP includes a risk assessment which covers major risks, including earthquake risk (there is apparently a history of earthquake in the area – Australia’s largest recorded quake having occurred in WA). ▪ The Shire has completed the GHD Waste Water Assets Management system default risk assessment tool. ▪ Risks are documents in the AMP and GHD risk management tool ▪ .	▪ Corporate Risk management framework ▪ Risk assessment



Description	Observations	Evidence (Include Contact)
<ul style="list-style-type: none"> <li>The probability and consequence of risk failure are regularly assessed</li> </ul>	<ul style="list-style-type: none"> <li>We note that there are a number of risks included in the risk register that are not reflected in the AMP. We recommend that the licensee reviews the consistency between the risk register and its asset management procedures.</li> <li>The AMP was updated in June 2014 and the risk assessment was therefore updated then.</li> </ul>	
<b>Contingency planning</b> <ul style="list-style-type: none"> <li>Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks</li> </ul>	<ul style="list-style-type: none"> <li>A desktop contingency planning exercise was undertaken to consider the various risks. The Shire provided us with the documented mitigation strategies and response plans.</li> <li>The risks considered were Earthquake, Imhoff Tank Failure, Major Storm, Pipe or Manhole collapse, unexpected demand.</li> <li>The contingency plans are available on the Shire's network drive</li> <li>We reviewed a sample of the contingency plans and found them to be satisfactory for the risks identified</li> <li>The Shire reported that the contingency plans had undergone a desktop review however we did not observe the notes or minutes from the desktop meeting. We recommend that the licensee conducts field exercises to test its contingency plans in addition to desktop exercises.</li> </ul>	<ul style="list-style-type: none"> <li>Contingency plans</li> </ul>
<b>Financial planning</b> <ul style="list-style-type: none"> <li>The financial plan states the financial objectives and strategies and actions to achieve the objectives</li> <li>The financial plan identifies the source of funds for capital expenditure and recurrent costs</li> <li>The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets)</li> <li>The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period</li> <li>The financial plan provides for the operations and maintenance,</li> </ul>	<ul style="list-style-type: none"> <li>Subject to whole of Shire budgeting</li> <li>O&amp;M budget in Quickbooks and reviewed each year</li> <li>Covers revenue, interest, O&amp;M and capital expenditure as well as tracking the reserve fund balance</li> <li>Capital expenditure is discussed further following</li> <li>A 10yr financial plan exists for whole of council. The GHD Asset management system includes a financial planning spreadsheet which has been used and was last updated in June 2014.</li> <li>The plan identifies capital and recurrent costs.</li> <li>The financial plan viewed during the audit did have projected P&amp;L and Balance sheet.</li> <li>The model shows that on current projections the service is financially sustainable (revenues approx. \$80k, asset annuity is about \$80k, opex is \$55k). There is \$626k in the reserve funds for sewerage.</li> <li>Income predictions are based on rates and population, which is stable.</li> </ul>	<ul style="list-style-type: none"> <li>Financial Plan</li> </ul>



Description	Observations	Evidence (Include Contact)
administration and capital expenditure requirements of the services <ul style="list-style-type: none"> <li>Significant variances in actual / budget income and expenses are identified and corrective action taken where necessary</li> </ul>	<ul style="list-style-type: none"> <li>We note the GHD financial plan calculated an annuity of \$83,307 p.a. this is different from the figure reported in the AMP of \$20,638. Sewer service revenues (\$96k last year) appear to be less than the sum of the annuity (\$80k) and operating costs (\$55k). The Shire should confirm the value of the annuity.</li> <li>There were no significant variations in actual income and expense.</li> </ul>	
<b>Capital expenditure planning</b> <ul style="list-style-type: none"> <li>There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates</li> <li>The plan provides reasons for capital expenditure and timing of expenditure</li> <li>The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan</li> <li>There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned</li> </ul>	<ul style="list-style-type: none"> <li>The Shire has developed a capital renewal model</li> <li>A condition assessment was undertaken in 2007 which also updated the expected useful lives of assets. This was taken into the renewals model. Asset values were updated in 2014.</li> <li>The Shire also updated condition and expected useful life as better information comes to hand, e.g. if an asset has been replaced – however no assets have been replaced recently.</li> <li>Annuity calculations suggest a requirement of \$80k for capex, plus \$55k for opex. Revenues were \$96k last year (about \$640 per HH).</li> <li>No expenditure for growth or compliance is projected for the next 5 years.</li> <li>Major capital item in the next 5 years is the fence replacement at the ponds. There is a few \$'000 per year allocated for network maintenance.</li> <li>The GHD financial planning spreadsheet bases capital expenditure on asset useful life. As the Shire updates the spreadsheet regularly, the projected capex and calculated annuity figure can be fed into the wider Shire financial planning process and the 10 year financial plan.</li> </ul>	<ul style="list-style-type: none"> <li>Spreadsheets for capital planning and prioritisation</li> <li>Capital expenditure planning process outline</li> <li>Value engineering documents</li> <li>Risk management applied to investment planning</li> <li>Program management documents</li> <li>Review of capex estimate v outturn</li> </ul>
<b>Review of the asset management system</b> <ul style="list-style-type: none"> <li>A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current</li> <li>Independent reviews (e.g., internal audit) are performed of the asset management system</li> </ul>	<ul style="list-style-type: none"> <li>We found that the Shire is continually improving its asset management system, particularly the core document, the asset management plan.</li> <li>The most recent update of the asset management plan was July 2014.</li> <li>The Asset Management Plan also contains an improvement plan in section 7.2</li> <li>The environmental health officer reviews the plan annually (and deputy CEO).</li> </ul>	<ul style="list-style-type: none"> <li>Asset management plans</li> </ul>

## 6. Recommendations

### 6.1. Operational Audit

Table 6-1 Table of current audit non-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
A1/2015	NP2 Water Services Operating License 2009, Clause 20.1, Schedule 4, Clause 1.3 The Licensee exceeded the Performance Standard for sewer blockages	No further recommendation as this obligation is no longer in effect.	
A2/2015	NP 2 Water Services Operating License 2009, Schedule 3 Clause 2.5 The licensee was unable to confirm whether customers have been provided with a copy of the Customer Service Charter, or a summary document, within a three year period up to November 2013.	No further recommendation as this obligation is no longer in effect.	
A3/2015	NP2 <i>Water Services Licensing Act 1995, Clause 8</i> <i>Licensee has not provided one of the other two consultation mechanisms identified in clause 4.1(b).</i>	No further recommendation as this obligation is no longer in effect.	

**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
A4/2015	<p>NP 2 Water Services Operating License 2009, Schedule 3 Clause 4.1</p> <p>The licensee has not fully met the requirements of Schedule 3, Clause 4.1</p>	No further recommendation as this obligation is no longer in effect.	
A5/2015	<p>B2 <i>Water Services Licensing Act 1995, Clause 5.1</i> <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> <p>Note: reporting procedure to detail how the data is collected, validated, reviewed/analysed and reported to the ERA.</p>	
A6/2015	<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>	We recommend that the licensee address the recommendations A6/2015 to A16/2015	
A7/2015	<p>B2 <i>Water Services Act 2012, Sections 82(4) &amp; (5)</i> <i>The licensee to provide required notification of and requirements as to building work within 7 days of receiving the fee for dealing with the notification.</i></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)	
A8/2015	<p>B2 Water Services Code of Conduct (Customer Service Standards) 2013, Clause 7</p> <p>The Customer Service Charter does not go into detail about some of the information specified in the water services code of conduct.</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).	

**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
		Alternatively, the licensee may prepare a new information document covering these topics.	
A9/2015	B2 Water Services Code of Conduct (Customer Service Standards) 2013, Clause 18(2)  The Licensee does not have a written procedure for review of a bill	Prepare a written procedure for review of a bill consistent with the requirements of the Code, Compliance Manual 2014 obligations 114 to 116.	
A10/2015	B2 Water Services Code of Conduct (Customer Service Standards) 2013, Clause 18(3) & (6)  License does not have a formal written procedure for the review of a bill on the customer's request.	As per reference A7/2015.	
A11/2015	B2 Water Services Code of Conduct (Customer Service Standards) 2013, Clause 18(4)  License does not have a formal written procedure for the review of a bill on the customer's request.	As per reference A7/2015.	
A12/2015	B2 Water Services Code of Conduct (Customer Service Standards) 2013, Clause 21(1)  The Licensee accepts payments by all the prescribed methods except direct debit	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.	
A13/2015	B2 Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(1)  The complaints procedure is not fully documented	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	
A14/2015	B2 Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(2)	Refer to recommendation A11/2015	

**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
	The Licensee's complaints procedure is not fully documented or consistent with AS ISO 10002		
A15/2015	<b>B2</b> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(3)</i> <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>	Refer to recommendation A11/2015	
A16/2015	<b>B2</b> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(4)</i> <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>	Refer to recommendation A11/2015	
A17/2015	<b>B2</b> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(6)</i> <i>Licensee's complaints procedure consistent with Clause 35 is not publically available</i>	Refer to recommendation A11/2015	
A18/2015	<b>B2</b> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 37(1)</i>  The licensee does not make all of the prescribed information publicly available	Provide the following information publically: <ul style="list-style-type: none"> <li>• Bill payment methods</li> <li>• Exemptions, rebates and discounts available</li> </ul> Large print services	
A19/2015	<b>A2</b> <i>Water Services Act 2012, Section 29</i>	Refer to recommendation A4/2015	

## 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
	The licensee has not complied with all the duties imposed on it by the Act as it was unable to meet all Code requirements.		

## 6.2. Asset management System

Table 6-2 Table of current review deficiencies and recommendations

### A. Resolved during current review 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
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### B. Unresolved at end of current review 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
R1/2015	A1 Asset planning - Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning	We recommend that the Asset Management Plan be updated to describe how customer consultation is carried out.	
R2/2015	B2 Asset creation/acquisition - Full project evaluations are undertaken for new assets	We recommend that the Licensee develop criteria for capital expenditures and a method for forecasting capital expenditures.	
R3/2105	A2 Asset disposal - Under-utilised and under-performing assets are identified as part of a regular systematic review process	We recommend that the Licensee monitor and record operational data such as pump station operating times and fuel consumption.	

## B. Unresolved at end of current review period

R4/2015	B2 Environmental analysis - Achievement of customer service levels	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.
R5/2015	A2 Asset operations - Operational policies and procedures are documented and linked to service levels required	We recommend that the Licensee develop O&M procedures for their process equipment.
R6/2015	A1 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	We recommend that the Licensee ensure that they have digital copies of all their as-constructed drawings.
R7/2015	A1 Asset operations - Staff resources are adequate and staff receive training commensurate with their responsibilities	We recommend that the Licensee document the skills/qualifications of the staff members as a result of training they have received.
R8/2015	A1 Asset operations - Operational costs are measured and monitored	We recommend that the licensee implements a fit for purpose works register to identify planned operations and maintenance activities and tracks their completion.
R9/2015	A2 Asset maintenance - Maintenance policies and procedures are documented and linked to service levels required	We recommend that the Licensee document how maintenance activities relate to desired levels of services.
R10/2015	B2 Asset maintenance - Regular inspections are undertaken of asset performance and condition	We recommend that the licensee undertakes a performance and condition of its assets (sample only for sewers or exclude)
R11/2015	B2 Asset maintenance - Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule	We recommend that the licensee begin to document their maintenance activities. A maintenance activity checklists could be created and posted at the relevant areas so that it could be signed off and dated each time the activities are carried out. Although the Shire may perform

## B. Unresolved at end of current review period

the maintenance, currently it is hard to demonstrate this.

R12/2015	A2 Contingency planning - Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks	We recommend that the licensee conducts field exercises to test its contingency plans in addition to desktop exercises.
R13/2015	A2 Financial planning - The financial plan identifies the source of funds for capital expenditure and recurrent costs	We recommend that the licensee reconcile and confirm the annuity figure
R14/2015	A2 Financial planning - The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services	We recommend that the licensee confirm the value of the annuity as \$80k or \$20k



## 7. Confirmation of the Audit/Review

I confirm that the audit/review carried out at the Shire of Koorda on 19 and 20 January 2015 and recorded in this report is an accurate presentation of our findings and opinions.

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Alexander Nash  
Cardno (QLD) Pty Ltd  
515 St Paul's Terrace  
Fortitude Valley QLD 4006

27 February 2015

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Shire of Koorda

**APPENDIX A**  
RISK MANAGEMENT  
FRAMEWORK



## Types of Compliance Risk

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

## Risk Assessment Rating Scales

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

### Consequence Rating

The consequence rating scale is outlined below.

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

## Likelihood Ratings

The likelihood rating scale is described below.

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

## Inherent Risk Assessment Rating and Description

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

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

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

## Adequacy Ratings for Existing Controls

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

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

## Assessment of Audit Priority

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

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

Shire of Koorda

# APPENDIX B

ASSET  
MANAGEMENT  
PERFORMANCE  
RATING  
DEFINITIONS



## Compliance Assessment Rating Scale

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

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

## Asset Management Review Rating Scales

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

### Asset Management Adequacy Ratings

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

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

### Asset Management Performance Ratings

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