

Operational Audit and Asset Management System Review

Shire of Dalwallinu

3604-70

Prepared for
Economic Regulation Authority of Western
Australia

May 2015



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Executive Summary

General

The Shire of Dalwallinu holds a water services operating licence (WL14) which permits it to provide sewerage services and non-potable water supply services and undertake, maintain and operate any appropriate water service works to the Shire of Dalwallinu. 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 4.9km of earthenware sewerage pipe reticulation, and a waste treatment plant, serving 259 properties and a population of approximately 650 people. The sewerage treatment plant operates on a gravity system via 150mm earthenware mains to the Imhoff Tank. Decanted waste water, containing dissolved pollutants and any remaining suspended solids gravity feeds to the oxidation lagoon. Waste water gravity feeds out of the oxidation lagoon via an open concrete spoon drain to the pump pit located at the primary lagoon, where it is pumped to either of the secondary lagoons. The pump station draws water from either secondary lagoon for subsequent storage into the holding dam for on-use. The current retention time for the system is 48 hours, which enables sufficient time to address any major malfunctions.

There have been no changes to these licences or the assets since the last audit.

Audit and Review Objectives

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

This audit has been conducted in order to assess:

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

This report outlines the findings of the audit and review of the Shire of Dalwallinu to fulfil the above objectives, conducted on 21 January 2015 and 22 January 2015. The operational audit covers the period of 1 December 2011 to 30 November 2014. The asset management system review covers the period 1 December 2011 to 30 November 2014.

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

Operational Audit

Findings of the Previous Operational Audit

The previous audit identified the following non-compliances:

1. Not complying with the performance standard of having fewer than 40 blockages per 100km of sewer main per year in 2008/09, 2009/10 and 2010/11 (although the number per year is declining); and
2. Not providing the 2011 Performance Report to the Authority by the due date (minor non-compliance).

Issues identified during the current audit

Water Services Operating Licenses

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

1. A1/2015 – Failure to comply with the licence requirement target of fewer than 40 blockages per 100km of sewer main in 2011/12 and 2012/13.
2. A2/2015 – Schedule 3, Clause 2.5 (Customer Service Charter). 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.

These obligations under the *Water Services Licensing Act 1995* have now been made redundant by the introduction of the *Water Services Act 2012*.

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

3. A3/2015 – Clause 5.1 (compliance with applicable legislation) Department of Health identified “areas that require attention” that the licensee is addressing with regards to the recycled water scheme and the licensee was unable to confirm whether a licence has been obtained from Department of Environment Regulation.
4. A4/2015 – Clause 16 (Provision of information). The licensee was late for the provision of the 2012-13 and 2013-14 performance report.
5. A5/2015 – Clause 20 (Asset Management System). The asset management manual was last updated in 2012 despite a previous recommendation that it be updated annually.
6. A6/2015 – Clause 26 (Duties of the licensee). The licensee has not complied with all requirements of the Code of Conduct as per 7/2015 through 14/2015.

Water Services Act 2012

7. A7/2015 – Section 12, Clause 5.3 (Conditions of Licence). The licensee has not complied with all requirements of the Code of Conduct as per 7/2015 through 14/2015.

Water Services Code of Conduct (Customer Service Standards) 2013

8. A8/2015 - Clause 18(2) (Review of bills). The licensee does not have a written procedure for review of a bill.
9. A9/2015 - Clause 18(3) & (6) (Review of bills). The licensee does not have a written procedure for review of a bill.
10. A10/2015 - Clause 18(4) (Review of bills). The licensee does not have a written procedure for review of a bill.
11. A11/2015 - Clause 21(1) (Payment methods). The licensee does not offer direct debit or Centrepay as per the forms of prescribed payments.
12. A12/2015 – Clause 29 (Debt collection). The Licensee cannot demonstrate that the debt collection process is definitively stopped when a payment plan is entered into.
13. A13/2015 - Clause 35(1) (Procedure for dealing with complaints). The complaints procedure is not fully documented.
14. A14/2015 - Clause 35(2) (procedure for dealing with complaints). The licensee does not have in place a procedure and defined responsibilities for responding to and resolving complaints.
15. A15/2015 - Clause 37(1) (information to be made publically available). The licensee does not make reference to large-print services in publically available information which it does provide.

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 Dalwallinu 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 Dalwallinu with its licence is summarised in Section 4.2 of this report. 14 items were rated as non-compliant. All other items were assessed as compliant, not applicable or not able to be rated.

Asset Management System Review

Findings of the Asset Management System Review

The asset management system review assessed the performance of the Shire of Dalwallinu 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:

1. Asset Operations: Although asset condition inspections are carried out, the information is not recorded in the Asset Register at least annually when reviewing the asset management plan;

Comment from 2015 Audit: the Sewer AMP does have asset conditions against the above ground assets (and manholes), however the AMP has not been updated since 2012. We did not see the council-wide asset register but based on the depreciation schedule in the Long Term Financial Plan all sewer assets are given the same life (50 years), and in any case have a current value of zero, which is inconsistent with the condition rating of 1 for most of the assets in the sewer AMP.

2. Asset Planning, Review of the Asset Management System: Update the Asset Management Plan (AMP) in line with the requirements of the 2009 operating license for the sewerage services issued to the Shire by the Authority;

Comment from 2015 Audit: The regulatory requirements section of the AMP was updated to refer to the 2009 licence issued under the 1995 Water Act. This action was therefore completed.

3. Asset Operations: Review and update the Wastewater Operation and Maintenance Manual for current contact details of people involved with the scheme;

This was completed. We sighted updated contact details of O&M staff in the O&M manual

4. Financial Planning: The financial plan and the asset management plan needs to be reviewed and updated for capital (replacement cost), operational and maintenance costs for at least the next five years. Also, updated annually if there are any major changes to the scheme or costs

The Financial Plan in the Sewer AMP does not appear to have been updated since 2006 and capex forecasts only extend to 2015/16. This action does not appear to have been completed

5. Review of Asset Management System: Review the asset management plan annually and reissue when changes occur.

The AMP was reviewed in 2012 according to the document version control sheet. We are not certain where the requirement to review the Asset Management System annually comes from. The 2014 Audit Review Guidelines section on asset management refer only to "regular" reviews.

There was one outstanding issue which was still not completed during the previous audit. This was

6. Contingency Planning: There should be an annual desktop review of the contingency plan.

An annual review of the contingency plan may take place, but the Shire did not have any records or minutes (or an email) documenting the findings from the review.

Summary of Findings

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

| Reference (no./year) | Asset Management System Component | Issue | Auditor's recommendation |
|----------------------|---|--|--|
| R1/2015 | A2 Asset planning - Asset management plan covers key requirements | While the AMP does cover key requirements, the section referring to regulation refers to the 2009 licence and 1995 Water Act. In addition, recycled water guidelines are not referred to. | The <i>Water Services Act 2012</i> and the relevant guidelines for recycled water should be referred to in the regulatory requirements section of the AMP. |
| R2/2015 | B2 Asset planning - Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning | The core asset management plan does not specifically referred to sewer stakeholders and the extent to which they were consulted regarding planning or levels of service. | Stakeholder consultation for the sewerage and non-potable water services should be documented in the AMPs. |
| R3/2015 | A2 Asset planning - Service levels are defined | Service levels for non-potable water are not defined in the Sewer AMP. | Non-potable water service levels should be developed. Even though the Shire is the only customer, a target "internal" service level could be defined as something which stakeholders are prepare to pay for through their rates. |
| R4/2015 | A2 Asset planning - Non-asset options (e.g. demand management) are considered | The Core AMP does not have any demand projections and the Sire assumes the population has stagnated despite a number of new houses being under construction. | Include demand projections in the core asset management plan – as recommended in the Core AMP. |
| R5/2015 | A2 Asset planning - Lifecycle costs of owning and operating assets are assessed | The Shire has not prepared a renewals model to determine the appropriate annuity, however a capital works schedule for the period 2006-7 to 2015-16 was included in the plan. | We recommend that the licensee develops a renewals annuity in order to confirm the long-term sustainability of the service. |
| R6/2015 | A2 Asset planning - Costs are justified and cost drivers identified | There is an opportunity to on the standard drivers of renewals, growth and compliance use to justify costs. | We recommend that the Shire considers adopting the drivers of renewals, growth and compliance to complement its existing drivers. |
| R7/2015 | A2 Asset planning - Likelihood and consequences of asset failure | The likelihood and consequence of asset failure have not been assessed comprehensively and are not included in the AMP. The Core AMP does not contain a risk assessment either, but does describe how one might be done. | As per the recommendations of the Core AMP, we recommend that a more standard "probability / consequence" analysis should be drawn up. |

| Reference (no./year) | Asset Management System Component | Issue | Auditor's recommendation |
|----------------------|--|--|---|
| R8/2015 | A2 Asset creation/acquisition - Full project evaluations are undertaken for new assets | The Shire does not have an asset replacement and renewal strategy. | The Shire should develop an asset replacement and renewal strategy. This could simply detail the conditions under which an asset will be considered for replacement, and the approach to sourcing a replacement option (including non-build options). |
| R9/2015 | B2 Asset creation/acquisition - Evaluations include all life-cycle costs | The capital expenditure plan in the Sewerage Scheme AMP does not appear to have been updated since 2006, and is not consistent with the projected expenditure in the Shire Long Term Financial Plan (LTFP). | 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: <ul style="list-style-type: none"> ▪ need for the expenditure ▪ driver ▪ options considered and cost assessment ▪ description of preferred option ▪ procurement process ▪ timing for expenditure, etc. |
| R10/2015 | A2 Asset creation/acquisition - Projects reflect sound engineering and business decisions | There are inconsistencies with the LTFP and larger projects have not been justified with a business case. | The inconsistencies with the LTFP should be addressed and any projected expenditure in the LTFP (e.g. 75,000 in 2014/15, \$138,000 in 2015/16) should be justified with a brief business case. |
| R11/2015 | A2 Asset disposal - Under-utilised and under-performing assets are identified as part of a regular systematic review process | Asset disposal is not considered when justifying expenditures on replacement of or renewal of assets. | The asset investment business case template should be adapted to also make the case for asset disposal and replacement. |
| R12/2015 | A2 Asset disposal - Under-utilised and under-performing assets are identified as part of a regular systematic review process | We are not certain at what point the asset condition was last updated as the asset condition does not form part of the digital asset register. Instead the asset condition is stored in the Sewer Asset Management Plan. | We recommend that the licensee includes the date of the condition rating beside the actual rating in the document as a way of demonstrating when the asset was last inspected. |
| R13/2015 | A2 Asset disposal - The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertake | The Shire does not have an asset disposal strategy as part of its AMP. | We recommend that larger projects that need to be justified with a business case, should include an asset disposal evaluation. The Imhoff tank replacement should be re-evaluated closer to the time that it has been forecast to be required and a full business case developed. |
| R14/2015 | A2 Asset disposal - There is a replacement strategy for assets | Assets are replaced on a like for like basis. Asset replacement are not justified on a case-by-case basis using a simple business case template. | Instead of replacing strictly on a like-for-like basis, we recommend that the licensee considers evaluating alternative options that may be more optimal. |
| R15/2015 | B2 | The Shire Sewer AMP does not have a specific section | A minor improvement recommendation is for the licensee to consider environmental risks as |

| Reference (no./year) | Asset Management System Component | Issue | Auditor's recommendation |
|----------------------|---|---|---|
| | Environmental analysis - Opportunities and threats in the system environment are assessed | addressing environmental risk. | well as public health risks (where these are different). |
| R16/2015 | A2 Environmental analysis - Performance standards (availability of service, capacity, continuity, emergency response, etc.) are measured and achieved | The Shire does not track all contact with customers, it may be difficult to determine if the standards are achieved. | We recommend that the licensee records the time of a reported fault and the rectification time in order to demonstrate the emergency response. |
| R17/2015 | A2 Environmental analysis - Compliance with statutory and regulatory requirements | Although the previous review had a recommendation in the Post-Review Implementation Plan to update the regulatory obligations included in the AMP, the document now needs to be updated with the obligations under the 2013 operating licence. | We recommend that the AMP be updated to reflect the regulatory obligations under the 2013 operating license. |
| R18/2015 | A2 Environmental analysis - Compliance with statutory and regulatory requirements | The Shire does not include all regulatory and licensing requirements (e.g. EPA licence, Recycled Water Quality Management Plan etc.). | 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. |
| R19/2015 | A2 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 | The Shire has an asset register as part of its wider financial systems, although the level of detail does not appear to allow for location, material, plans etc. The book value of the assets is zero. The Sewer AMP also has a list of the above ground assets, but not the asset location. | We recommend that the licensee confirms an appropriate value for the sewer assets in the accounting system and Long Term Financial Plan Minor improvements that have been identified are that the asset information which exists in the Sewer AMP could usefully be extended to include the underground (network) assets, and above ground assets could be located on a map. |
| R20/2015 | A2 Asset maintenance - Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule | The Sewer service AMP does contain a complete preventative maintenance schedule. As there is no formal job dispatching system or ticketing system, and no asset based costing, demonstrating that planned / routine maintenance is actually carried out is hard | We recommend that the licensee keeps records of maintenance in order to demonstrate the theoretical AMP document is actually used / applied. |
| R21/2015 | B3 Risk management - Risk management policies and procedures exist and are being applied to | The Shire does not have a real standard risk assessment, except as part of the contingency plan which does identify key risks and responses. | At the present time, the Shire does not have a real standard risk assessment, except as part of the contingency plan which does identify key risks and responses. While these risks and responses are appropriate and cover most of the risks the |

| Reference (no./year) | Asset Management System Component | Issue | Auditor's recommendation |
|----------------------|---|--|--|
| | minimise internal and external risks associated with the asset management system | | Shire sewer service is likely to face, we recommend that the licensee completes a more standard risk assessment in accordance with the recommendations of the Core AMP. This process would be expected to start with the licensee developing a risk matrix and brainstorming some risks / probabilities and consequences, along with mitigation actions. |
| R22/2015 | B3 Risk management - Risks are documented in a risk register and treatment plans are actioned and monitored | The Shire does not have a risk management framework or a risk management plan. | The Shire should develop a risk management framework and a risk management plan. |
| R23/2015 | B2 Risk management - The probability and consequence of risk failure are regularly assessed | The Shire does have a risk management plan which is updated regularly and would normally be the outcome of a risk management framework / process. However the framework and process itself needs to be better developed. | The licensee should develop a framework and/or process for completing and updating a risk management plan. |
| R24/2015 | A2 Contingency planning - Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks | We reviewed a sample of the contingency plans and found them to be satisfactory for the risks identified. However a risk brainstorming exercise would be valuable to further develop less obvious asset related risks. | As above – Development of a standard risk management framework / register / assessment. We recommend that contingency plans should be tested and minutes / notes kept of the testing exercise. |
| R25/2015 | A2 Financial planning - The financial plan states the financial objectives and strategies and actions to achieve the objectives | The LTFP which we reviewed only included the financial statements and did not state the financial strategies and actions to achieve the objectives. | We recommend that the licensee harmonises the LTFP and the Sewer AMP. The financial objectives and the means of achieving them should be recorded in the plan. |
| R26/2015 | A2 Financial planning - The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets) | The Financial Plan does provide 10-year projections of P&L and Balance sheets. However sewer value is zero in the current year | We recommend that the licensee confirms the sewer asset values and updates the balance sheet as appropriate. |
| R27/2015 | B2 Financial planning - The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period | Sewer assets in the LTFP are valued at \$0 in 2014/15, despite having good condition ratings in the Sewer AMP. | We recommend that the licensee harmonises the LTFP and the Sewer AMP. |

| Reference (no./year) | Asset Management System Component | Issue | Auditor's recommendation |
|-------------------------|--|--|--|
| R28/2015 | B2 Financial planning - The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services | The LTFP and the Sewer AMP are inconsistent. | We recommend that the licensee harmonises the LTFP and the Sewer AMP. |
| R29/2015 | B2 Capital expenditure planning - There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates | The Sewer AMP capex forecast is inconsistent with the Long Term Financial Plan and was last updated in 2006. The Shire has developed a capital renewal model based on asset expected useful life (only) and does not consider condition rating. | We recommend that the capex information included in the Sewer AMP and the Long Term Financial Plan are made consistent with each other. We recommend that the condition rating be taken into account when projecting replacements (business case template to be developed). |
| R30/2015 | A2 Capital expenditure planning - The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan | The capex plan is consistent with the asset life but not necessarily with the condition as identified in the AMP. | We recommend that the licensee reviews its capex plan to take into the condition of the assets identified in the AMP and updates its forecast accordingly. |
| R31/2015 | B2 Capital expenditure planning - There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned | The capex plan does not appear to have been updated recently. | We recommend that the capex planning included in the Sewer AMP is synchronised with the wider council long-term financial planning in order to ensure consistency between the documents. |
| R32/2015 | A2 Review of the asset management system - A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current | We observed that not every section of the AMP was updated in 2012 (e.g. condition assessment, financial planning information). | We recommend that the licensee completes a review and update of the entire document to bring it up to date. |
| R33/2015 | A2 Review of the asset management system - A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current | The Sewer AMP has been regularly updated, although some items (e.g. the capex projections) have not been updated during the process. | We recommend that the licensee expands its compliance checklist to include all items that need regular reviews and checks for regulatory purposes (i.e. a comprehensive checklist). |

| Reference (no./year) | Asset Management System Component | Issue | Auditor's recommendation |
|-------------------------|---|---|---|
| R34/2015 | B2 Review of the asset management system - Independent reviews (e.g., internal audit) are performed of the asset management system | There is no documented evidence of internal reviews on the asset management system. | <p>We recommend that the licensee develops an approach to ensure internal reviews. The simplest method would be to develop a simple checklist for the Asset Management System which is completed by someone who is not directly responsible for maintaining the AMS (e.g. the CEO or DCEO).</p> <p>The checklist should include the items from the ERA 2014 Audit and Review Guidelines (i.e. the list used for this audit).</p> <p>Hard copies of the completed checklist should be signed and kept in the ERA file.</p> |

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. 32 of the 32 recommendations the Auditor has identified as opportunities for process improvement.

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 4.3. All elements were rated "B" or better for policy and procedures. All elements were rated "3" or better for performance.

Table of Contents

| | |
|---|------------|
| Executive Summary | iii |
| 1 Introduction | 1 |
| 1.1 Background | 1 |
| 1.2 Purpose of this Report | 1 |
| 2 Audit/Review Scope | 3 |
| 2.1 Audit/Review Objectives | 3 |
| 2.2 Scope of Works | 3 |
| 2.3 Methodology and Approach | 3 |
| 2.4 Time Period Covered by the Audit/Review | 12 |
| 2.5 Time Period of the Audit/Review Process | 12 |
| 2.6 Details of the Licensee Representatives Participating in the Audit/Review | 12 |
| 2.7 Details of Key Documents and Other Information Sources | 12 |
| 2.8 Details of Auditors Participating in the Audit/Review and Hours Utilised | 13 |
| 3 Licensee's Response to Previous Recommendations | 14 |
| 3.1 Previous Audit Non-Compliances and Recommendations | 14 |
| 3.2 Previous Review Ineffective Components and Recommendations | 18 |
| 4 Performance Summary | 23 |
| 4.1 Assessment Rating Scales | 23 |
| 4.2 Operational Audit Compliance Summary | 24 |
| 4.3 Asset Management Review Effectiveness Summary | 31 |
| 5 Observations and Recommendations | 35 |
| 5.1 Performance Audit | 35 |
| 5.2 Asset Management System Review | 94 |
| 6 Recommendations | 107 |
| 6.1 Performance Audit | 107 |
| 6.2 Asset Management System Review | 110 |
| 7 Confirmation of the Audit/Review | 116 |

Tables

| | | |
|-----------|--|----|
| Table 2-1 | Licence Audit Methodology | 5 |
| Table 2-2 | Asset Management Review Methodology | 8 |
| Table 2-3 | Details of Licensee Representatives | 12 |
| Table 2-4 | Details of Audit / Review Team Members | 13 |
| Table 3-1 | Previous Audit Non-compliances and Recommendations | 14 |
| Table 3-2 | Previous Review Ineffective Components Recommendations | 18 |
| Table 4-1 | Audit Compliance and Controls Rating Scales | 23 |
| Table 4-2 | Asset Management Process and Policy Definition Adequacy Rating | 23 |
| Table 4-3 | Asset Management Performance Ratings | 24 |
| Table 4-4 | Audit Obligation Ratings | 24 |
| Table 4-5 | Asset Management Review Effectiveness Summary | 31 |
| Table 5-1 | Performance Audit Observations | 35 |

| | | |
|-----------|---|-----|
| Table 5-1 | Asset Management System Review Observations | 94 |
| Table 6-1 | Table of Current Non Audit Compliances and Recommendations | 107 |
| Table 6-2 | Table of Current Review Asset System Deficiencies/Recommendations | 110 |

Appendices

| | |
|------------|---|
| Appendix A | Risk Management Framework |
| Appendix B | Asset Management Performance Rating Definitions |

1 Introduction

1.1 Background

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

The Shire of Dalwallinu holds a water services operating licence (WL14) 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 Dalwallinu. 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 4.9km of earthenware sewerage pipe reticulation, and a waste treatment plant, serving 259 properties and a population of approximately 650 people. The sewerage treatment plant operates on a gravity system via 150mm earthenware mains to the Imhoff Tank. Decanted waste water, containing dissolved pollutants and any remaining suspended solids gravity feeds to the oxidation lagoon. Waste water gravity feeds out of the oxidation lagoon via an open concrete spoon drain to the pump pit located at the primary lagoon, where it is pumped to either of the secondary lagoons. The pump station draws water from either secondary lagoon for subsequent storage into the holding dam for on-use. The current retention time for the system is 48 hours, which enables sufficient time to address any major malfunctions.

1.2 Purpose of this Report

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

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).

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

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

The asset management system review covers:

- ▶ asset planning
- ▶ asset creation/acquisition
- ▶ asset disposal

- ▶ environmental analysis
- ▶ asset operations
- ▶ asset maintenance
- ▶ asset management information system
- ▶ risk management
- ▶ contingency planning
- ▶ financial planning
- ▶ capital expenditure planning
- ▶ review of the asset management system.

2 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 Dalwallinu'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 Dalwallinu's asset management system in relation to WL14
3. Provide recommendations to address non-compliances and any asset management process 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 Dalwallinu 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 WL14
 - Assess performance against each asset management process for WL14.
- ▶ 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 audit and 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 that are found to be non-compliant
- ▶ Preliminary audit feedback at the audit close-out meeting
- ▶ Preparation of a draft report for the Shire's review and comment
- ▶ Preparation of a final report for submission to the ERA

Our methodology for completing this audit assignment was based on:

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

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

Table 2-1 Licence Audit Methodology

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

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

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

Table 2-2 Asset Management Review Methodology

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

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

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

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

2.4 Time Period Covered by the Audit/Review

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

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

2.5 Time Period of the Audit/Review Process

The audit/review commenced in October 2014 with preparation of the draft Audit Plan. Interviews with the Shire of Dalwallinu's staff were carried out on 21 January 2015 and 22 January 2015 office in Dalwallinu, WA.

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

Details of representatives from the Shire of Dalwallinu 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 |
|----------------|---------------------|--|
| Peter Crispin | Shire of Dalwallinu | Chief Executive Officer (CEO) |
| Keith Jones | Shire of Dalwallinu | Deputy CEO |
| Debbie Fortuin | Shire of Dalwallinu | Manager Regulation & Development Services (Town Planning etc.) |

2.7 Details of Key Documents and Other Information Sources

Documents provided during the audit

- ▶ 2012 Asset Management Plan Dalwallinu Sewage Scheme.docx
- ▶ 2012-2013 Sewerage Performance Reports.xlsx
- ▶ 20120611 - D88710 - Shire of Dalwallinu - Water Licence Audit Report.pdf
- ▶ 2014 Water, Sewerage and Irrigation Licence Performance Reporting Datasheets Dalwallinu.xlsx
- ▶ Customer Charter Approval.pdf
- ▶ Dalwallinu LTFP - Adopted November 2014.pdf
- ▶ Draft Dalwallinu Summary Asset Management Plan - Post November 2014 Adoption.pdf
- ▶ ERA Sewerage Performance Report 2011-2012.xlsx
- ▶ Guidelines for the Non-potable Uses of Recycled Water in WA_140620.pdf
- ▶ Hardship Policy Approval.pdf
- ▶ Water Licence Map - Shire of Dalwallinu - Dalwallinu Operating Area.PDF

Documents from the Internet / Public Domain

- ▶ Shire of Dalwallinu Water Services Operating Licence – WL14, Version 3, 18 November 2013
- ▶ Shire of Dalwallinu Water Services Operating Licence – WL14, Version 2, 15 May 2009
- ▶ 2013 2014 Annual Report.pdf
- ▶ 2014-15_Budget.pdf

- ▶ Annual_Report_11-12.pdf
- ▶ Annual_Report_Financials_11-12.pdf
- ▶ Budget-2012-2013.pdf
- ▶ Budget-2013-2014.pdf
- ▶ Customer_Service_Charter_-_Wastewater_Services_2009.pdf
- ▶ Dalwallinu_Emergency_Management_Plan_2014.pdf
- ▶ Financial_Hardship_Policy_-_Water_Services_2.pdf
- ▶ Plan_for_the_Future_2009-2014_1.pdf
- ▶ Regional_Repopulation_Pilot_Project_Report_-_FINAL.pdf
- ▶ Shire of Dalwallinu Customer Service Charter.pdf
- ▶ Strategic_Community_Plan.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 the table below.

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"> ▪ Interviews with staff ▪ Document review ▪ Site visits | 50 |
| Patrick Lamb | Cardno | Auditor | <ul style="list-style-type: none"> ▪ Reporting | 20 |
| Stephen Walker | Cardno | Reviewer | <ul style="list-style-type: none"> ▪ Reviewing | 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 Dalwallinu against each of the previous operational licence audit non-compliance and recommendations are presented in Table 3-1 below.

Table 3-1 Previous Audit Non-compliances and Recommendations

| A. Resolved before end of previous Audit period | | | | |
|---|--|--|---------------|--|
| Reference (no./year) | (Compliance rating/ Legislative obligation / details of the issue) | Auditor's recommendation or action undertaken | Date resolved | Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable |
| | Performance and Compliance Reporting In accordance with the Water Compliance Reporting Manual May 2011, the Shire is required to submit to the Authority: <ul style="list-style-type: none"> Annual performance reports no later than 31 July for the reporting year ending 30 June; and Annual compliance reports by 31 August for the year ending 30 June. | The previous audit recommended the following: <ul style="list-style-type: none"> The Shire should ensure that all future Performance Reports are submitted to the Authority within the timeframes required. | CSM | The performance report due date was included in the compliance schedule, however the 12-13 and 13-14 reports were not submitted in time. |
| | The previous audit noted the following: <ul style="list-style-type: none"> The audit reviewed the Shire's Compliance and Performance Reports for the years ending 30 June 2009, 2010 and 2011 and relevant correspondence between the Shire and the Authority and noted the following exceptions: <ul style="list-style-type: none"> Performance report for the year ended 30 June 2011 was submitted after the due date. The Shire has developed and implemented the Compliance Schedule with the annual performance and compliance reporting due dates | The Shire noted the following: <ul style="list-style-type: none"> Noted. This is now covered by the Compliance Schedule of dates and the Corporate Calendar. | | We do not consider that implementing yet another process will ensure that the two existing processes (updating and using the compliance schedule, completing the performance reports) will necessarily be respected. |
| | | The action was the responsibility of the CSM. | | |

A. Resolved before end of previous Audit period

included in the schedule of events. The Compliance Schedule also includes references on how and where to source the required information.

Using the compliance schedule / calendar should be sufficient for resource planning purposes.

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 | <p>Performance Standards</p> <p>The previous audit noted the following:</p> <ul style="list-style-type: none"> The audit reviewed the Shire's Performance Reports for the year 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. <p>The exceptions were:</p> <ul style="list-style-type: none"> In 2008/09, the Shire reported 15 sewer blockages, which represents a figure of 306 blockages per 100km of sewer main; In 2009/10, the Shire reported 6 sewer blockages, which represents a figure of 122 blockages per 100km of sewer main; and In 2010/2011, the Shire reported 4 sewer blockages, which represents a figure of 81.6 blockages per 100km of sewer main. <ul style="list-style-type: none"> The audit sighted copies of completed Sewerage System Defect Reports. | <p>The previous audit recommended the following:</p> <ul style="list-style-type: none"> The Shire should ensure it complies with the prescribed performance standard re maximum number of blockages. <p>The Shire noted the following:</p> <ul style="list-style-type: none"> The Shire will endeavour to meet the prescribed performance. <p>However, the main cause of blockages is mostly due to tree roots. The majority of the sewer constitutes earthenware pipes and given the dry climate, tree roots will always find their way into the sewer and cause blockages.</p> <p>The Shire is progressively attempting to replace sections of the sewer with non-earthenware pipes in areas where problems persist.</p> <p>The action was the responsibility of the Works Supervisor.</p> | Ongoing | <p>This standard is not applicable for the current license, and was not respected while the previous license was in force.</p> <p>Good asset management practice suggests that the target level should be determined by cost-benefit analysis and also stakeholder support (willingness to pay).</p> <p>Meeting this service level would have resulted in an increased sewer annual service cost for preventative maintenance and CCTV work. Run to fail may be an appropriate level of</p> |

B. Resolved during current Audit period

- The sewerage system dates back to the early 1970's and consists mostly of clay earthenware pipework.
 - The Shire undertakes maintenance work on the sewer on a weekly basis via visual inspection of manholes and clearing, using rods where necessary, to prevent the build-up of roots and debris that may lead to a blockage.
 - The Shire also passes clearing rods through the whole system every six months.
- service and may also be supported by Shire Customers (given the lack of complaints).

| | | | | |
|-----|--|---|-----------|--|
| 1.2 | <p>Notify Changes to Asset Management System</p> <p>The previous audit noted the following:</p> <ul style="list-style-type: none"> ▪ The audit confirmed with the Shire's CSM that during the audit period, the Shire has made no significant changes to the asset management system. ▪ The Compliance Schedule has been developed and implemented with the Asset Management System review dates included in the schedule of events. The schedule also includes the required timeframes for the notification of asset management system changes to the Authority. ▪ However, the Asset Management Plan (AMP) has not been updated for the requirement to notify the Authority of any changes to the asset management system within the required timeframe. ▪ Moreover, the AMP has not been updated for the document history section. | <p>The previous audit recommended the following:</p> <ol style="list-style-type: none"> 1. Update the AMP - Monitoring and Review Procedures section for the requirement to notify the Authority of any changes to the asset management system within 10 business days. 2. Update the AMP for document history section which will detail in a tabular form the date of the review or update of the document, person who performed it and brief description of the changes to the document from previous version. <p>The Shire noted the following:</p> <ul style="list-style-type: none"> ▪ AMP will be updated as per the auditor's recommendations. <p>The actions were the responsibility of the CSM.</p> | July 2012 | <p>The Sewer AMP has been updated to include a document history which includes dates that the ERA was notified.</p> <p>The Compliance schedule has also been updated to prompt the Shire to review the AMP</p> |
|-----|--|---|-----------|--|

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 |
|-------------------------|---|---|---------------|--|
|-------------------------|---|---|---------------|--|

3.2 Previous Review Ineffective Components and Recommendations

Details of the actions completed by the Shire of Dalwallinu against each of the previous asset management system review recommendations are presented in 3.2 below.

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 |
| B. Resolved during current Review period | | | | |
| Reference (no./year) | (Asset management effectiveness rating / Asset Management System Component & Criteria / details of the issue) | Auditor's recommendation or action undertaken | Date resolved | Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable |
| 2.1 | <p>Asset Disposal</p> <p>Under-utilised and under-performing assets should be identified as part of a regular systematic review process.</p> <p>The previous review noted the following:</p> <ul style="list-style-type: none"> The condition of assets is regularly inspected as part of the annual maintenance program. <p>Details of the inspection and any comments are recorded in the two Maintenance Registers, Pool Maintenance Book and Irrigation Maintenance</p> | <p>The previous review recommended the following:</p> <ul style="list-style-type: none"> Record the asset condition assessment in the Asset Register at least annually when reviewing the AMP. <p>The Shire noted the following:</p> <ul style="list-style-type: none"> The Asset Register will be updated annually as part of the review of the AMP. <p>The action was the responsibility of the CSM.</p> | August 2012 and annually thereafter | <p>The AMP was last updated in June 2012 according to the document history page.</p> <p>We are not certain at what point the asset condition was last updated but note that asset condition does not form part of the digital asset register. Rather, asset condition is stored</p> |

B. Resolved during current Review period

| | | | | |
|-----|--|--|---------------|---|
| | <p>Book.</p> <p>The site diaries (which are completed on site for each day of use) are stored at the Shire Administration Centre along with any site Audit Sheets that have been completed.</p> <ul style="list-style-type: none"> The condition assessment should also be recorded in the Asset Register at least annually when reviewing the overall AMP. | | | <p>in the Sewer Asset Management Plan.</p> <p>We recommend that the licensee includes the date of the condition rating beside the actual rating in the document as a way of demonstrating when the asset was last inspected. This is included as R12/2015 in our recommendations from the asset management system review.</p> |
| 2.2 | <p>Environmental Analysis</p> <p>The previous review noted the following:</p> <ul style="list-style-type: none"> The Asset Management Plan identifies the following Acts and regulations whilst identifying no specific requirements from any of them: <ul style="list-style-type: none"> Local Government Act; Environmental Protection Act; Occupational Safety and Health Act; and Occupational Safety and Health Regulations. The AMP section on Regulatory Requirements outlining the requirements of the operating licence for the sewerage services needs to be updated in line with the 2009 operating licence issued to the Shire of Dalwallinu by the Authority. | <p>The previous review recommended the following:</p> <ul style="list-style-type: none"> Update the Asset Management Plan in line with the requirements of the 2009 operating licence for the sewerage services issued to the Shire of Dalwallinu by the Authority. <p>The Shire noted the following:</p> <ul style="list-style-type: none"> AMP will be updated. <p>The action was the responsibility of the CSM.</p> | December 2012 | <p>The 2009 license is referred to in the Asset Management Plan.</p> <p>The regulatory requirements are outlined in the appropriate section of the AMP.</p> <p>However, the AMP now needs to be updated to reflect the regulatory obligations under the 2013 operating license (refer to recommendation R17/2015).</p> <p>In addition, but related to this, we recommend that the licensee prepares a compliance register based on the Authority's Water Compliance Reporting Manual to assist in tracking its regulatory and statutory</p> |

B. Resolved during current Review period

| | | | | obligations (refer to recommendation R18/2015) |
|-----|--|---|---------------|--|
| 2.3 | <p>Asset Operations</p> <p>Practices covering operating rules are documented in the Wastewater Operation and Maintenance Manual as well as the overview in the AMP.</p> <p>The previous review noted the following:</p> <ul style="list-style-type: none"> The audit reviewed the human resources outlined in the Wastewater Operation and Maintenance Manual and noted some inaccuracies in the contact details of people involved in the scheme. | <p>The previous review recommended the following:</p> <ul style="list-style-type: none"> Review and update the Wastewater Operation and Maintenance Manual for current contact details of people involved with the scheme. <p>The Shire noted the following:</p> <ul style="list-style-type: none"> AMP will be updated. <p>The action was the responsibility of the Administration Officer.</p> | July 2012 | <p>.</p> <p>The Shire has updated the O&M manual with the correct staff names. No further action is required.</p> |
| 2.4 | <p>Contingency Planning</p> <p>Contingency plans should be documented, understood and tested to confirm their operability and to cover higher risks.</p> <p>The previous review noted the following:</p> <ul style="list-style-type: none"> The AMP incorporates emergency procedures on how to deal with risk situations when they occur. The more detailed contingency plan for overflows at the wastewater treatment plant is outlined in the Shire's Wastewater Operation and Maintenance Manual including prevention, preparedness, response, and recovery. <p>Although the need for annual awareness of staff likely to be involved in response to overflows has been stated in the Wastewater Treatment Plant Overflow Contingency Plan, there is no evidence of the Shire's emergency procedures testing being carried out to ensure that appropriate persons are aware of their responsibilities in case of emergency.</p> | <p>The previous review recommended the following:</p> <ul style="list-style-type: none"> 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. <p>The test could be a desktop review of the plan by the participants.</p> <ul style="list-style-type: none"> Written records of the tests/review should be kept with the appendices of the AMP. <p>The Shire noted the following:</p> <ul style="list-style-type: none"> A desk top exercise will be held this year, in line with the recommendations and recorded. <p>The action was the responsibility of the Management Team.</p> | December 2012 | <p>The Shire has developed a "Risk Management Plan" as part of its asset management plan which is effectively a contingency plans for each of the high risk item identified in the risk assessment</p> <p>We did not see minutes / notes of a desktop testing of the contingency plan. This is, therefore, a continuing recommendation (refer to R24/2015 in our recommendations from this asset management system review.</p> |

B. Resolved during current Review period

| | | | | |
|-----|--|---|--|---|
| 2.5 | <p>Financial and Capital Expenditure Plans</p> <p>The previous review noted the following:</p> <ul style="list-style-type: none"> The financial plan in the AMP has not been updated since 2006/07. There is a separate Financial Plan (spreadsheet) with actuals for 2007/08 and forecast costs for the next 10 years. <p>However, the operational, maintenance and capital costs are likely to be out-of-date.</p> <ul style="list-style-type: none"> Similarly, the Capital Expenditure Plan over the life of the scheme has not been updated. | <p>The previous review recommended the following:</p> <ul style="list-style-type: none"> The financial plan in the AMP needs to be reviewed and updated for capital (replacement cost), operational and maintenance costs for at least the next 5 years. <p>Also, the plan needs to be updated annually if there are any major changes to the scheme or costs.</p> <ul style="list-style-type: none"> The capital expenditure plan also needs to be updated. <p>The Shire noted the following:</p> <ul style="list-style-type: none"> All financial assets are currently being reviewed. The review includes the sewage scheme. <p>The AMP will be updated as soon as the review is completed as per the recommendations.</p> | August 2012 | <p>The Financial plan in the AMP appears not to have changed.</p> <p>However the Shire does have a Long-term financial plan which has different figures from the Financial plan in the AMP.</p> <p>These should be reconciled and the AMP figures harmonized with the Long term financial plan. We have included this action in recommendation R25/2015.</p> |
| 2.6 | <p>Review of Asset Management System</p> <p>The previous review noted the following:</p> <ul style="list-style-type: none"> The Shire of Dalwallinu AMP has been updated in November 2009. The cover of the AMP states that the document was created in 1998 and updated in 2009. <p>However, much of the content has not been updated.</p> <p>Also, the AMP does not contain any provision on the frequency and procedures for the AMP review and update.</p> <ul style="list-style-type: none"> The AMP is currently under review by the CSM. | <p>The previous review recommended the following:</p> <ol style="list-style-type: none"> Review the AMP annually and reissue when changes occur. <p>The maintenance, capital expenditure plans and financial plans should be revised annually.</p> <ol style="list-style-type: none"> Update the AMP for details on frequency of the review and review procedures including the requirement to notify the Authority of any changes to the asset management system within 10 business days. Keep track of all reviews of the AMP in a document history section. <p>The Shire noted the following:</p> <ol style="list-style-type: none"> As above, the review will be conducted annually and the AMP updated accordingly – as per the recommendations. | <ol style="list-style-type: none"> 1. August 2012 and annually thereafter 2. December 2012 3. Ongoing | <p>AMP updated in 2012. Document history sheet inserted.</p> <p>Notification prompt for ERA included.</p> <p>Compliance schedule includes a prompt for updating the AMP</p> <p>However, not all parts of the AMP were updated (e.g. condition assessment, financial plan) and the AMP may not have been updated since 2012. Refer to R32/2015 in our recommendations from the asset management system review.</p> |

B. Resolved during current Review period

5. The AMP will be updated as per recommendation.
6. All reviews will be documented as per recommendations.

The persons responsible for the annual AMP review are the DCEO and/or the CSM, while the CSM is solely responsible for the update and documentation of the review history.

C. Unresolved at end of current review period

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

4 Performance Summary

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

4.1 Assessment Rating Scales

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

Table 4-1 Audit Compliance and Controls Rating Scales

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

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

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

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

Table 4-3 Asset Management Performance Ratings

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

4.2 Operational Audit Compliance Summary

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

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

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

Table 4-4 Audit Obligation Ratings

| Compliance Obligation Ref No. (2014 Water Compliance Reporting Manual unless noted otherwise) | Licence Reference | Audit Priority applied (rated 1 (Highest) to 5 (Lowest)) | Adequacy of Controls Rating | | | | | Compliance Rating | | | | | |
|--|---------------------------|--|-----------------------------|---|---|---|----|-------------------|---|---|---|----|----|
| | | | A | B | C | D | NP | 1 | 2 | 3 | 4 | Na | Nr |
| Water Services Licensing Act 1995 | | | | | | | | | | | | | |
| 2012/7 | Clause 20.1 | 2 | ✓ | | | | | | | ✓ | | | |
| 2012/9 | Clause 6.1 | 4 | | | | | | ✓ | ✓ | | | | |
| 2012/11 | Schedule 3 Clause 3.8 | 4 | | | | | | ✓ | | | | | ✓ |
| 2012/13 | Schedule 3 Clause 3.9 (b) | 5 | | | | | | ✓ | ✓ | | | | |
| 2012/14 | Schedule 3 Clause 3.2 (d) | 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 | |
| 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 | | | | | | | | | | | | ✓ |
| 13 | Section 36 | 4 | | | | | ✓ | | | | | | | ✓ |
| 16 | Section 77(3) | 4 | | | | | ✓ | ✓ | | | | | | |
| 17 | Sections 82(4) & (5) | 4 | | | | | ✓ | ✓ | | | | | | |
| 18 | Section 84(2) | 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 | |
| 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 | | | | | N/A | | | | | | ✓ | |
| 28 | Section 119(2) | 4 | | | | | ✓ | | | | | | | ✓ |
| 29 | Section 122(2) | 4 | | | | | N/A | | | | | | | ✓ |
| 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 | | | | | ✓ | | | | | | | ✓ |
| 49 | Section 173(4) | 4 | | | | | ✓ | | | | | | | ✓ |
| 50 | Section 174(1) | 4 | | | | | ✓ | | | | | | | ✓ |
| 51 | Section 174(3) | 4 | | | | | ✓ | | | | | | | ✓ |
| 52 | Section 175(2) | 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 | |
| 53 | Section 175(5) | 4 | | | | | ✓ | | | | | | | ✓ |
| 54 | Section 176(1) | 4 | | | | | ✓ | | | | | | | ✓ |
| 55 | Section 176(3) | 4 | | | | | ✓ | | | | | | | ✓ |
| 56 | Section 176(4) | 4 | | | | | ✓ | | | | | | | ✓ |
| 57 | Section 181 | 5 | | | | | ✓ | | | | | | | ✓ |
| 58 | Section 186 | 4 | | | | | ✓ | | | | | | | ✓ |
| 59 | Section 187(1) – (3) | 4 | | | | | ✓ | | | | | | | ✓ |
| 60 | Section 190(4) | 4 | | | | | ✓ | | | | | | | ✓ |
| 61 | Section 190(5) | 4 | | | | | ✓ | | | | | | | ✓ |
| 62 | Section 210(5) | 4 | | | | | ✓ | | | | | | | ✓ |
| 63 | Section 218(2) | 5 | | | | | ✓ | | | | | | | ✓ |
| 64 | Section 218(3) | 4 | | | | | ✓ | | | | | | | ✓ |
| Water Services Regulations 2013 | | | | | | | | | | | | | | |
| 74 | Regulation 60(2) | 4 | | | | | ✓ | | | | | | | ✓ |
| 75 | Regulation 63 | 4 | | | | | ✓ | | | | | | | ✓ |
| 89 | Regulation 85 | 4 | | | | | ✓ | | | | | | | ✓ |
| Water Services Code of Conduct (Customer Service Standards) 2013 | | | | | | | | | | | | | | |
| 92 | Clause 7 | 4 | | | | | ✓ | ✓ | | | | | | |
| 93 | Clause 8 | 4 | | | | | N/A | | | | | | ✓ | |
| 94 | Clause 9 | 4 | | | | | ✓ | ✓ | | | | | | |
| 95 | Clauses 10(2) | 4 | | | | | N/A | | | | | | ✓ | |
| 96 | Clauses 10(3) | 4 | | | | | N/A | | | | | | ✓ | |
| 97 | Clause10(4) | 4 | | | | | N/A | | | | | | ✓ | |
| 98 | Clause 10(5) | 4 | | | | | N/A | | | | | | ✓ | |
| 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 | | | | | ✓ | | | | | | | ✓ |

| 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 | |
| 110 | Clause 16(5) | 4 | | | | | ✓ | | | | | | | ✓ |
| 111 | Clause 17(1) | 4 | | | | | ✓ | | | | | | | ✓ |
| 112 | Clause 17(2) | 4 | | | | | ✓ | | | | | | | ✓ |
| 113 | Clause 18(1) | 4 | | | | | ✓ | ✓ | | | | | | |
| 114 | Clause 18(2) | 4 | | ✓ | | | | | | ✓ | | | | |
| 115 | Clauses 18(3) & (6) | 4 | | ✓ | | | | | | ✓ | | | | |
| 116 | Clause 18(4) | 4 | | ✓ | | | | | | ✓ | | | | |
| 117 | Clause 18(5) | 4 | | | | | ✓ | ✓ | | | | | | |
| 118 | Clause 20 | 4 | | | | | ✓ | ✓ | | | | | | |
| 119 | Clause 21(1) | 4 | ✓ | | | | | | | ✓ | | | | |
| 120 | Clause 21(2) | 4 | | | | | ✓ | | | | | | | ✓ |
| 121 | Clause 22 | 4 | | ✓ | | | | | | ✓ | | | | |
| 122 | Clause 23(1) | 4 | | | | | ✓ | ✓ | | | | | | |
| 123 | Clause 24 | 4 | | | | | ✓ | | | | | | | ✓ |
| 124 | Clause 25 | 4 | | | | | ✓ | ✓ | | | | | | |
| 125 | Clauses 26(1) & (2) | 4 | | | | | ✓ | ✓ | | | | | | |
| 126 | Clause 26(3) | 4 | | | | | ✓ | ✓ | | | | | | |
| 127 | Clause 26(4) | 4 | | | | | N/A | | | | | | ✓ | |
| 128 | Clause 26(5) | 4 | | | | | ✓ | ✓ | | | | | | |
| 129 | Clauses 26(6) | 4 | | | | | ✓ | | | | | | | ✓ |
| 130 | Clause 27(2) | 4 | | | | | ✓ | ✓ | | | | | | |
| 131 | Clause 27(3) | 4 | | | | | ✓ | ✓ | | | | | | |
| 132 | Clause 28(1) | 4 | | | | | ✓ | ✓ | | | | | | |
| 133 | Clauses 28(4) & (5) | 4 | | | | | ✓ | ✓ | | | | | | |
| 134 | Clause 29 | 4 | | ✓ | | | | | | ✓ | | | | |
| 139 | Clause 33 | 4 | | | | | N/A | | | | | | ✓ | |
| 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 | | ✓ | | | | | | ✓ | | | | |

| 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 |
| 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) | | | | | | | | | | | | | |
| 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 | ✓ | | | | | ✓ | | | | | |

| 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 |
| 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 | | | | | ✓ | | | | | | ✓ |
| 177 | Section 12 | 5 | | | | | ✓ | | | | | | ✓ |
| 178 | Section 12 | 5 | | | | | ✓ | | | | | | ✓ |
| | Non Standard Terms & Conditions of Service (Clause 24) | | | | | | | | | | | | |
| 179 | Section 12 | 5 | | | | | N/A | ✓ | | | | | |
| 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) | | | | | | | | | | | | |
| 12 | Section 29 | 4 | | ✓ | | | | | ✓ | | | | |
| | Provision of Water Services (Clause 27) | | | | | | | | | | | | |
| 1 | Section 21(1)(a) | 4 | | | | | ✓ | ✓ | | | | | |
| 2 | Section 21(1)(b) | 4 | | | | | ✓ | ✓ | | | | | |
| 3 | Section 21(1)(c) | 4 | | | | | ✓ | ✓ | | | | | |
| | Provision of Water Services Outside Operating Area (Clause 28) | | | | | | | | | | | | |
| 182 | Section 12 | 4 | | | | | ✓ | | | | | | ✓ |

| 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 |
| 4 | Section 22 | 4 | | | | | ✓ | | | | | | ✓ |
| | Works Holding Arrangements (Clause 29) | | | | | | | | | | | | |
| 5 | Section 23 | 4 | | | | | ✓ | ✓ | | | | | |
| | Hardship Policy (Clause 30) | | | | | | | | | | | | |
| 183 | Section 12 | 4 | | | | | ✓ | ✓ | | | | | |
| | Memorandum of Understanding (Clause 31) | | | | | | | | | | | | |
| 184 | Section 12 | N/A | | | | | N/A | | | | | ✓ | |
| 185 | Section 12 | N/A | | | | | N/A | | | | | ✓ | |
| 186 | Section 12 | N/A | | | | | N/A | | | | | ✓ | |
| | Performance Standards (Schedule 3) | | | | | | | | | | | | |
| 190 | Section 9 | N/A | | | | | N/A | | | | | ✓ | |

4.3 Asset Management 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 |
|--|--|--|
| Asset planning | A | 2 |
| ▪ Asset management plan covers key requirements | A | 2 |
| ▪ Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning | B | 2 |
| ▪ Service levels are defined | A | 2 |
| ▪ Non-asset options (e.g. demand management) are considered | A | 2 |
| ▪ Lifecycle costs of owning and operating assets are assessed | A | 2 |

| Asset Management System Component | Asset management process and policy definition adequacy rating | Asset management performance rating |
|--|--|-------------------------------------|
| ▪ Funding options are evaluated | A | 1 |
| ▪ Costs are justified and cost drivers identified | A | 2 |
| ▪ Likelihood and consequences of asset failure are predicted | A | 2 |
| ▪ Plans are regularly reviewed and updated | A | 1 |
| Asset creation/acquisition | A | 2 |
| ▪ Full project evaluations are undertaken for new assets | A | 2 |
| ▪ Evaluations include all life-cycle costs | B | 2 |
| ▪ Projects reflect sound engineering and business decisions | A | 2 |
| ▪ Commissioning tests are documented and completed | NR | |
| ▪ Ongoing legal / environmental / safety obligations of the asset owner are assigned and understood | A | 1 |
| Asset disposal | A | 2 |
| ▪ 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 | 2 |
| ▪ Disposal alternatives are evaluated | A | 1 |
| ▪ There is a replacement strategy for assets | A | 2 |
| Environmental analysis | A | 2 |
| ▪ Opportunities and threats in the system environment are assessed | B | 2 |
| ▪ Performance standards (availability of service, capacity, continuity, emergency response, etc.) are measured and achieved | A | 2 |
| ▪ Compliance with statutory and regulatory requirements | A | 2 |
| ▪ Achievement of customer service levels | A | 2 |
| Asset operations | A | 1 |
| ▪ Operational policies and procedures are documented and linked to service levels required | A | 1 |
| ▪ Risk management is applied to prioritise operations tasks | A | 1 |
| ▪ 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 | A | 2 |
| ▪ Operational costs are measured and monitored | A | 1 |
| ▪ Staff resources are adequate and staff receive training commensurate with their responsibilities | A | 1 |

| Asset Management System Component | Asset management process and policy definition adequacy rating | Asset management performance rating |
|---|--|-------------------------------------|
| Asset maintenance | A | 1 |
| <ul style="list-style-type: none"> Maintenance policies and procedures are documented and linked to service levels required | A | 2 |
| <ul style="list-style-type: none"> Regular inspections are undertaken of asset performance and condition | A | 1 |
| <ul style="list-style-type: none"> Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule | A | 2 |
| <ul style="list-style-type: none"> Failures are analysed and operational / maintenance plans adjusted where necessary | A | 1 |
| <ul style="list-style-type: none"> Risk management is applied to prioritise maintenance tasks | A | 1 |
| <ul style="list-style-type: none"> Maintenance costs are measured and monitored | A | 1 |
| Asset management information system | A | 1 |
| <ul style="list-style-type: none"> Adequate system documentation for users and IT operators | A | 1 |
| <ul style="list-style-type: none"> Input controls include appropriate verification and validation of data entered into the system | A | 1 |
| <ul style="list-style-type: none"> Logical security access controls appear adequate, such as passwords | A | 1 |
| <ul style="list-style-type: none"> Physical security access controls appear adequate | A | 1 |
| <ul style="list-style-type: none"> Data backup procedures appear adequate and backups are tested | A | 1 |
| <ul style="list-style-type: none"> Key computations related to licensee performance reporting are materially accurate | A | 1 |
| <ul style="list-style-type: none"> Management reports appear adequate for the licensee to monitor licence obligations | A | 1 |
| Risk management | B | 3 |
| <ul style="list-style-type: none"> Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system | B | 3 |
| <ul style="list-style-type: none"> Risks are documented in a risk register and treatment plans are actioned and monitored | B | 3 |
| <ul style="list-style-type: none"> The probability and consequence of risk failure are regularly assessed | B | 2 |
| Contingency planning | A | 2 |
| <ul style="list-style-type: none"> Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks | A | 2 |
| Financial planning | A | 2 |
| <ul style="list-style-type: none"> The financial plan states the financial objectives and strategies and actions to achieve the objectives | A | 2 |
| <ul style="list-style-type: none"> The financial plan identifies the source of funds for capital expenditure and recurrent costs | A | 1 |

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

5 Observations and Recommendations

5.1 Performance Audit

Table 5-1 Performance Audit Observations

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|---|---|-------------------|
| Note: Licence obligations under the Water Service Licensing Act 1995 have now been made redundant by the introduction of the Water Services Act 2012. The redundant obligations are included in this table with a reference to the 2012 version of the Compliance Manual in the second column). | | | | | | |
| Water Services Licensing Act 1995 | | | | | | |
| <p>The Licensee must comply with the service and performance standards as set out in Schedule 4. These are:</p> <p>Sch 4, CI 1.1 Telephone Answering – Emergency Response</p> <p>The licensee shall provide an emergency telephone advice system such that customers need make only one telephone call to report an emergency and that the customer shall be advised of the nature and timing of the action to be undertaken by the licensee.</p> <p>Target:</p> <p>90% of customers within 1 hour of reporting an emergency shall be advised of the nature and timing of the action to be undertaken by the licensee.</p> <p>Sch 4, CI 1.2 Customer Complaints</p> <p>The licensee shall respond to customer complaints in accordance with the licence standard</p> | 2012/7 | Clause 20.1 | 2 | <p><u>Emergency response</u></p> <ul style="list-style-type: none"> The licensee maintains a 24 hour emergency contact service, giving two numbers in its customer service charter (2006 version). The 24 hour contact number is detailed in the Customer Service Charter (2006 version downloaded from the shire website). The defects register notes all sewer service incidents, the description of the fault, the date of reporting and response, but not the exact time (hour) of reporting the fault or the exact time the fault was rectified. The performance standard is that customers shall be notified within 1 hour of the nature and timing of the action. The 24 hour emergency number is the direct line for the technician who carries out the repairs, so it is likely that the technician is immediately able to inform customers what his course of action will be (he does not need to consult with anyone else and get back to the customer). However the | <ul style="list-style-type: none"> Interviews with licensee staff Customer Service Charter 2006, 2009 Sewer defect register Annual Performance Reports (2011, 2012, 2013) | 2 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|--|-----------------------|------------------------------|----------|--|----------------------------|-------------------|
| Target: 90% of customer complaints resolved within 15 business days. | | | | Shire would not be able to comprehensively demonstrate this. We consider that this performance standard is likely to have been complied with for the relevant period. | | |
| Sch 4, CI 3.1 Sewerage Service Standards 3.1(a) The number of sewer blockages per 100km of sewer mains. | | | | Customer complaints <ul style="list-style-type: none"> Section 2.9 of the licensee's Customer Service Charter sets out the complaints process. Complaints may be made in writing, by telephone, in person at the Shire service centre and also via a web form on the Shire's website The Shire maintains a register for tracking all "general" complaints (including those related to its water services), and a separate complaints register for road services. Sewer service incidents (i.e. faults or "complaints") are recorded in the sewer defects register. No complaints about the water services have been received and recorded in the complaints register during the audit period. Therefore, the licensee has complied with this performance standard. If sewer system defects reported by customers are considered complaints, there were all resolved within 15 days (almost always on the same day as the report was made). | | |
| 3.1(b) Percentage of connected properties experiencing a wastewater overflow. | | | | | | |
| Target: In the preceding 12 months there were fewer than 40 blockages per 100km of sewer main | | | | | | |
| Target: In the preceding 12 month period 90% of customers receive the standard for the licensee's schemes. | | | | | | |
| Continuity and overflows | | | | | | |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|-------------------|-----------------------|------------------------------|----------|---|----------------------------|-------------------|
| | | | | <ul style="list-style-type: none"> The licensee maintains a register for tracking all sewer service faults (the defects register). The register is a hard-copy notebook which dates back to 1997 and records sewer service incidents, the nature of the fault, time reported and time completed. The licensee maintains 4.9km of sewers. Blockages listed in the faults register are as follows: <ul style="list-style-type: none"> 2010-2011 Financial Year: 4 blockages. 2011-12 FY: 9 blockages, 2012-13 FY: 6 blockages, 2013-14 FY: 17 blockages. We note that this performance standard is associated with the licence which expired on 18 November 2013, and so the 2010-11 and 11-12 and 12-13 performance standards are those which matter in regard to the performance obligation. The licensee has achieved a higher level of blockages than the target 40 per 100km of mains. (0.4 blockages per km, per year) in each year in the applicable audit period. The Shire's own target is 1.7 blockages per year (0.4 x 4.2km). Therefore, as the Shire has not met the required standard under the previous operating licence, this is a non-compliance. Only one of the defects in the period 1 July 2010 to 24 November 2014 resulted in an overflow according to the defects register (which occurred | | |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|---|---|-------------------|
| | | | | on 30 April 2014). It is uncertain if the spill affected a property as the description was "overflowing from manhole". | | |
| The licensee must establish a customer complaints process as set out in Schedule 3. | 2012/9 | Clause 6.1 | 4 | <ul style="list-style-type: none"> Section 2.9 of the licensee's Customer Service Charter sets out the complaints process. Complaints may be made in writing, by telephone, in person at the Shire service centre and also via a web form on the Shire's website The Shire maintains a register for tracking complaints related to its services, including the water services. Note that "anything to do with sewer" is usually written in the sewer defects register, and so a customer complaining about a sewer blockage would be treated as a "reported sewer blockage". There were no specific complaints about the water services in the general complaints register. No complaints have been received during the audit period. | <ul style="list-style-type: none"> Interviews with licensee staff Review of Customer Service Charter Review of sewerage scheme defects register for 2011, 2012 and 2013 Review of the Shire's website | 1 |
| The licensee must resolve customer complaints within 15 business days of the receipt of complaint or for matters to be considered by a Local Government Council within 5 business days after the first ordinary Council meeting following the 15 business day period. | 2012/11 | Schedule 3 Clause 3.8 | 4 | <ul style="list-style-type: none"> No complaints about the water services have been received and recorded in the general complaints register during the audit period. Note that if sewer system defects reported by customers are considered complaints, they were all resolved within 15 days (almost always on the same day as the report was made). The Shire has reported 19 complaints for the 2013-14 FY, however all of these complaints were in fact incidents reported in the | <ul style="list-style-type: none"> Interviews with licensee staff Review of sewerage scheme complaints registers 2011, 2012 and 2013 | NR |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|--|-----------------------|------------------------------|----------|--|--|-------------------|
| | | | | sewer defects register (and two of them related to non-sewer services i.e. they were customer side blockages or a potable water leak). All "complaints" of this nature are responded to immediately as the Shire responds to the reported defect. | | |
| The licensee must provide one trained staff who is authorised or has access to another officer who is authorised to make necessary decisions to respond to complaints. | 2012/13 | Schedule 3 Clause 3.9 (b) | 5 | <ul style="list-style-type: none"> The Shire has a training record to show which staff have which skills. The customer-facing staff at the front desk respond to complaints and direct customers to the complaints register in the first instance. Appropriately qualified staff can then respond to the complaint. We note the Shire does not have a fully documented complaints process. | Interviews with licensee staff | 1 |
| The licensee must provide an appropriate system to monitor and record the number, nature of and outcomes to complaints. | 2012/14 | Schedule 3 Clause 3.2 (d) | 4 | <ul style="list-style-type: none"> This obligation is not applicable as Clause 3.2 is not included in the licensee's previous licence. | | NA |
| The licensee must inform the customer of the option to refer a disputed complaint to the Department of Water unless the complaint is a matter that relates to section 3.22 of the Local Government Act 1995. | 2012/16 | Schedule 3 Clause 3.10 | 4 | <ul style="list-style-type: none"> Section 2.9 of the licensee's Customer Service Charter informs customers that a disputed complaint may be referred to the Department of Water There is also a pamphlet clearly available at reception from the Office of Water Regulation which informs customers that assistance is available for disputes with your water service provider. The document states that it can assist with complaints about water or sewer services. | <ul style="list-style-type: none"> Interviews with licensee staff Review of Customer Service Charter Review of sewerage scheme complaints registers 2011, 2012, 2013 and 2014 | 1 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|---|---|-------------------|
| | | | | <ul style="list-style-type: none"> 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. | | |
| The licensee must co-operate with the Department of Water's request for information concerning a disputed complaint. | 2012/17 | Schedule 3 Clause 3.6 | 4 | <ul style="list-style-type: none"> There have been no disputed complaints referred to the Department of Water during the audit period. Therefore, this obligation is not able to be rated. | | NR |
| The licensee must, on request, provide complaints details to the Department of Water. | 2012/18 | Schedule 3 Clause 3.7 | 4 | <ul style="list-style-type: none"> As there have been no water service complaints in the "general complaints" register, there have been no requests from customers to refer a complaint to the Department of Water during the audit period. Therefore, this obligation is not able to be rated. | | 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"> A Customer Service Charter has been prepared in accordance with the ERA's guidelines. The current version of the Customer Service Charter on the website was revised in 2011 (although the cover still says 2006) and approved by the ERA. We saw evidence that the Shire had submitted an updated version to the ERA in 2009, and that this was approved by the ERA on 13 November 2009 (in the document management system Synergy) | <ul style="list-style-type: none"> Interviews with licensee staff Review of Customer Service Charter Correspondence between Authority and licensee | 1 |
| The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence. (a) By prominently displaying it in those parts of the licensee's offices to which customers regularly have access | 2012/20 | Schedule 3 Clause 2.5 | 4 | <ul style="list-style-type: none"> The Customer Service Charter was not displayed in the Shire's reception at the time of the audit. However, this obligation was only in effect until November 2013. We note that the Office of Water Regulation pamphlet entitled "Customer Services: How the office | <ul style="list-style-type: none"> Interviews with licensee staff Access to Shire's website Inspection of Shire's offices | 2 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|---|--|-------------------|
| (b) By providing a copy, upon request, and at no charge, to the customer; and (c) 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. | | | | of water regulation can help when disputes arise with your water service provider" is on prominent display at reception. ▪ The Customer Service Charter is still available on the Shire's website and was provided if customers request it. ▪ 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. The Shire's intention to provide customers with recourse to support in the event of a dispute regarding the water services is evident. | | |
| The licensee must review its Customer Service Charter at least once in every three year period. | 2012/21 | Schedule 3 Clause 2.6 or 2.7 | 5 | ▪ The current version of the Customer Service Charter was revised in 2011. The Charter was last revised in 2009 before this. We did not observe a record of the correspondence from the ERA approving the original Customer Charter in 2006, however the 2009 version was approved. ▪ Although the next review of the Charter would have been due in 2013, the requirement for a Customer Service Charter was made redundant by the introduction of the Water Services Act 2012 and this is no longer a requirement in the licence. | ▪ Interviews with licensee staff ▪ Review of Customer Service Charter | 1 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|---|--|-------------------|
| The licensee must provide its services consistent with its Customer Service Charter. | 2012/22 | Schedule 3 Clause 2.7 | 4 | <ul style="list-style-type: none"> The Customer Service Charter reflects the relevant conditions outlined in the licence. The Shire operates with the intention to provide services as outlined in the licence and in the Customer Service Charter. Processes are in place to guide the operation of the Shire's wastewater services to meet the requirements outlined in the Customer Service Charter and licence. We have not seen any instances where the licensee has provided its services inconsistent with the information included in its Customer Service Charter | <ul style="list-style-type: none"> Interviews with licensee staff Review of Customer Service Charter Review of Shire processes for managing water service | 1 |
| | | | | | | |
| The licensee must establish customer consultation processes as set out in Schedule 3. | 2012/23 | Clause 8 | 4 | <ul style="list-style-type: none"> The licensee has not established a customer council for the purposes of consultation regarding the water service. In a town with a population of 650, the "customer council" would seem an unnecessary duplication of the role of the Shire Council itself (all of the councillors being customers, after all). 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. The licensee also holds monthly Council meetings where public question time is a fixed agenda item and is another forum for consultation and feedback. We observed minutes of these meetings and can confirm | <ul style="list-style-type: none"> Interviews with licensee staff Council meeting minutes Council newsletter | 1 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|--|-----------------------|------------------------------|----------|--|--|-------------------|
| | | | | <p>that residents do raise questions regarding aspects of the Shires services and this, therefore, constitutes a regular forum for feedback and consultation regarding the water services.</p> <ul style="list-style-type: none"> ▪ The Licensee produces a regular newsletter which contains news related to the water services, and invites correspondence regarding this news. ▪ We consider that the licensee has provided two of the consultation mechanisms identified in clause 4.1(b). Therefore, we consider that this constitutes compliance with the obligation. We note that this obligation is no longer in effect under the 2013 operating licence | | |
| The licensee may either establish a Customer Council or institute at least 2 of the following: establish a regular meeting; publish a newsletter or run other public forums, concerning the licensed activities. | 2012/24 | Schedule 3 Clause 4.1 | 4 | <ul style="list-style-type: none"> ▪ As noted above, we consider that the licensee has met the requirements of Schedule 3, Clause 4.1. ▪ We note, however, that this obligation is no longer in effect. | <ul style="list-style-type: none"> ▪ Interviews with licensee staff | 1 |
| 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"> ▪ There has been no change to the type and extent of the customer consultation that has been adopted by the Shire, and which is outlined in Section 2.4 of the Customer Service Charter. ▪ The Authority approved the licensee's Customer Service Charter (2009) in a letter dated 13 November 2009 which sets out the type and extent of consultation that the licensee undertook. We consider that approval of the Customer | <ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Review of Customer Service Charter | 1 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|---|----------|--|--|-------------------|
| | | | | Service Charter is sufficient to meet this obligation. | | |
| The licensee must, if at the request of the Authority, establish other forums for consultations, to enable community involvement in issues relevant to licence obligations. | 2012/26 | Schedule 3 Clause 4.3 | 4 | <ul style="list-style-type: none"> The licensee was not requested by the Authority to establish other forums or consultations. Therefore, this obligation cannot be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| The licensee must prior to making a major change to the operation of a water service hold a public meeting and seek written submissions. | 2012/28 | Schedule 3 Clause 4.5 Sewerage Licensee | N/a | <ul style="list-style-type: none"> There have been no major changes to the licensee's services during the audit period. Therefore, this obligation cannot be rated | <ul style="list-style-type: none"> Interviews with licensee staff | 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"> Allowance for public question time is included at each monthly Council meeting In addition to the monthly meetings (11 per year), there is a community meeting in February each year. We reviewed a sample of Council meeting minutes at audit and confirmed that customers are allowed to raise matters of concern. | <ul style="list-style-type: none"> Interviews with licensee staff Review of a sample of Council meeting minutes | 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"> The licensee advised that is has not been directed by the Authority to undertake a customer survey in the audit period. Therefore, this obligation cannot be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| The licensee must set out in writing its conditions for connection and make it available to people enquiring or applying for connection. | - | Schedule 6 Clause 2.1 | 4 | <ul style="list-style-type: none"> Section 2.7 of the licensee's Customer Service Charter sets out the conditions for connection (it is in fact a requirement if the service is available). The Customer Service Charter is made available to people who enquire and is also on the Shire's website | <ul style="list-style-type: none"> Review of Customer Service Charter Interviews with licensee staff Testing of the Shire's website | 1 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|--|-----------------------|------------------------------|----------|---|--|-------------------|
| The licensee must ensure that its services are available for connection on any land in the Operating Area subject to compliance with the Shire's conditions. | - | Schedule 6 Clause 2.2 | 4 | <ul style="list-style-type: none"> Section 2.7 of the licensee's Customer Service Charter sets out the conditions for connection. This clause requires that the services be available for connection "on any land in the Operating Area" subject to the conditions. The conditions restrict connection to where a "wastewater reticulation main is available" and where this main "has the capacity for the required service". This is a reasonable condition for connection. | <ul style="list-style-type: none"> Review of drawings of sewerage reticulation system Review of Customer Service Charter Interviews with licensee staff | 1 |
| The licensee may with the written agreement of the property owner discontinue a service where it is not commercially viable. | - | Schedule 6 Clause 2.3 | 4 | <ul style="list-style-type: none"> There have been no instances of the water service being discontinued due to it being not commercially viable. Therefore, this obligation cannot be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Fees (Clause 4) | | | | | | |
| The licensee must pay the applicable fees in accordance with the Regulations. | 155 | Clause 4 | 5 | <ul style="list-style-type: none"> The licensee has not been required to pay any applicable fees (as per Schedule 4 of the Water Service Regulations 2013) during the audit period. Therefore, this obligation cannot be rated. We note that the Shire did not find any records of a license payment in response to our request to check the financial records. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Compliance (Clause 5) | | | | | | |
| Subject to any modifications or exemptions granted pursuant to the Act, the licensee must comply with any applicable legislation. | 156 | Clause 5.1 | 4 | <ul style="list-style-type: none"> The Shire lists legislation and regulations applicable to the operation of their organisation and provision of the services in Section 5 of the Shire's Sewerage Scheme Asset Management System 2012. Some legislation has been superseded and this information | <ul style="list-style-type: none"> Shire Asset Management Plans Correspondence with DER | 2 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|-------------------|-----------------------|------------------------------|----------|--|----------------------------|-------------------|
| | | | | <p>should be included in next revision the AMP and included in the Shire's Asset Management Strategy (e.g. the reference to the 2009 licence should be updated to the 18 November 2013 licence).</p> <ul style="list-style-type: none"> ▪ The Shire advised that they have not received any notification of any breaches or non-compliance against any applicable legislation from any of the relevant regulatory bodies. ▪ We confirmed that Shire has reported non-compliances to the ERA in the two annual reports submitted within the audit period (dated 4 August 2014 and 27 August 2013). Breaches were reported regarding the number of sewer blockages, and also the date of submission of the performance and compliance report in 2014. ▪ We have identified a number of non-compliances during the course of this audit and these are outlined in more detail in this table under each relevant obligation. The Shire sewage treatment plant is registered with the Department for Environmental regulation, although the DER was unable to find a signed instrument (licence), according to an email written to the Shire on 2 December 2013. The site registration number is R1606/2004/1. ▪ The DER carried out an inspection in 2013 and classified the system as > 100m³ per day, and therefore falling under category 54 for sewage treatment regulation. The DER asked the Shire to provide additional | | |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|-------------------|-----------------------|------------------------------|----------|--|----------------------------|-------------------|
| | | | | <p>information to determine the licensing requirements. The Shire is to confirm that this information has been provided and a licence has been obtained.</p> <ul style="list-style-type: none"> ▪ The Department of Health inspected the oval non-potable water recycling system on 10 October 2013. The recycled water scheme was conditionally approved on the 14th of October 2013 (approval number C58/00000, file number F-AA-24161), subject of a number of “areas that require attention”. Note that a copy of this letter was sent to the ERA. ▪ During our site visit we noted that the Shire is addressing the items on the list. The following items have been completed: <ul style="list-style-type: none"> – Desludging of a holding pond (but not the oxidation pond) – The DoH letter requires that a written O&M procedure be developed for the irrigation system. We note that such a procedure does exist and is dated May 2013. ▪ The DoH approved the scheme subject to the list of improvements and also to the implementation of a Recycled Water Quality Management Plan (RWQMP) being completed by June 2016. We, therefore, consider this to be a minor non-compliance which is in the process of being rectified and should be included in the post-audit implementation plan for review at the next ERA licence audit. | | |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|---|--|-------------------|
| | | | | <ul style="list-style-type: none"> It is recommended that the Shire completes its Asset Management Strategy and reviews and updates the list the applicable legislation by the end of the current financial year. The Shire should confirm that a licence has been obtained from the DER and that the DER improvements have been implemented. | | |
| Water Services Act 2012 | | | | | | |
| Compliance with Code of Practice made by the Minister The licensee must comply with each code of practice made by the Minister to the extent to which it applies to the licensee. | 10 | Clause 5.2 | 4 | <ul style="list-style-type: none"> No code(s) of practice have been made by the Minister that apply to the licensee. Therefore, this obligation is not applicable. | | NA |
| Compliance with Code of Conduct made by Authority The licensee must comply with the code of conduct that may be made by the Authority to the extent to which it applies to the licensee and is not inconsistent with the licence. | 11 | Clause 5.3 | 4 | <ul style="list-style-type: none"> Obligations 92 – 153 in this table relate to specific requirements of the licensee relating to the Code of Conduct We have found through this audit that the licensee has not complied with all requirements of the Code of Conduct, specifically: <ul style="list-style-type: none"> Clause 7 – Information about connections (Obligation 92) Clause 18(2) (3) (4) (6) – Procedure for review of bills (Obligation 114) Clause 21(1) – Payment methods (Obligation 119) – no direct debit available. However we note that the financial hardship policy states that direct debit is available. By this, the Shire means that the customer can agree a fixed payment and | <ul style="list-style-type: none"> Interviews with licensee staff Annual compliance reports This audit report | 2 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|--|---|-------------------|
| | | | | arrange for their bank to make an electronic payment regularly. This is not exactly the same as a direct debit (which relies on the Shire to inform the Bank of the amount to debit, and the Bank to be authorised to make the transfer based on what the Shire instructs them). – Clause 35(1 - 6) – Complaints procedure (Obligations 145 and 146). No formal complaints procedure exists. – Clause 37(1) – Information to be publically available (obligation 153) ▪ Further details are provided below against the relevant obligation. | | |
| The licensee must comply with a direction from the Authority in relation to a breach of applicable legislation. | 159 | Clause 5.4 | 4 | ▪ We reviewed the ERA correspondence file and found no directions issued by the authority to the licensee regarding breaches of applicable legislation. Therefore this obligation is not rated. | ▪ Interviews with licensee staff ▪ Review of correspondence between Authority and licensee | NR |
| Provision of a water service ceasing — duty to leave system in safe condition 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 | ▪ The licensee advised that it has not ceased to provide a water service during the audit period. Therefore, this obligation is not rated. | ▪ Interviews with licensee staff | NR |
| Interruption of water services The licensee must take reasonable steps to minimise the extent or | 16 | Section 77(3) | 4 | ▪ 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 | ▪ Interviews with licensee staff ▪ Review of asset management system | 1 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|--|--|-------------------|
| duration of any interruption of water services it is responsible for. | | | | <p>management practices further in the second section of this report.</p> <ul style="list-style-type: none"> Interruptions are predominantly due to blockages in the sewerage network. These are reported to the supervisor via customer contact or internally. The licensee has a jetting snake and a vacuum truck for septic tanks available to it to assist with the clearance of blockages and managing interruptions. Our review of the defects register showed that all defects were corrected on the day they were reported. The licensee's non-potable water services consist of irrigation of the town sports oval and hockey field. For these services, the Shire is the service provider and also the only service user. | | |
| <p>Notification of and requirements as to building work</p> <p>If a person must give the licensee notice of any building work to be carried out on land in the operating area of a license, the licensee must return a copy of the plans and specifications contained in the notice with any written directions about the proposed building work that the licensee considers necessary to ensure the safety and efficacy of the provision of water services provided, or to be provided. The licensee must do this within 7 days of receiving the fee for dealing with the notification.</p> | 17 | Sections 82(4) & (5) | 4 | <ul style="list-style-type: none"> As a local government, the licensee is responsible for managing development approvals. We note that very few building and planning applications are processed by the Shire each year. As such, requests for information about the sewer system location are ad-hoc, amounting to 2-3 requests per year as a maximum, typically by plumbers. The usual method of requesting is to come into the council chambers and directly consult the sewer plans, so the request is fulfilled immediately. However, occasionally customers do request a plan to be scanned and emailed. We consulted the Shire's email records and located one email | <ul style="list-style-type: none"> Interviews with licensee staff Review of Application for Planning Approval Form Review of Application for Building Approval Form Building Application Checklist | 1 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|-------------------|-----------------------|------------------------------|----------|--|----------------------------|-------------------|
| | | | | <p>requesting a sewer plan during the audit period. This was responded to within 1 day.</p> <ul style="list-style-type: none"> ▪ 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. ▪ The licensee considers the proposed works and advises of any work that it considers necessary to ensure the safety and efficacy of the provision of water services provided, or to be provided. ▪ The licensee requires two copies of plans to be submitted with building and planning approval applications. One copy of the plans is retained and one copy is returned to the person making the application when approved. ▪ The licensee undertakes this process within 10 days if the building plans are certified or 14 days if the buildings plans are uncertified. These timeframes are specified in the Building Code of Australia. Based on the records available the Shire has complied with the 7 day standard in the Water Act. ▪ We note that the timeframe for returning plans in the Act is stricter than required by Regulation 20 under the <i>Building Act 2011</i>. The <i>Building Act 2011</i> (Regulation 20, Clause 10 of the Building Act 2011) is the primary legislation in this area. | | |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|---|--|-------------------|
| | | | | However, the licensee's performance during the audit period with regard to this obligation shows that it has complied with the timeframe under the obligation in the <i>Water Service Act 2012</i> . | | |
| Ensuring water service works are done If the licensee has given a notice under section 83(3)(a) of the Act, and the licensee is satisfied that the person given the notice is not going to comply with the notice within a reasonable time, the licensee must give the person 21 days' notice of its intention to commence the works. | 18 | Section 84(2) | 4 | <ul style="list-style-type: none"> The licensee has not needed to provide a notice of this kind during the audit period. Therefore, this obligation is unable to be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Review of certain decisions under or relating to Development and building control, and infrastructure contributions If a person makes an application with the State Administrative Tribunal for a review of a decision in respect of the licensee providing additional water services when a person has not responded to the licensee's notice, the licensee cannot provide the works until the application has been finally dealt with, except in limited circumstances. | 19 | Section 87(2) | 4 | <ul style="list-style-type: none"> The licensee advised that no applications have been made to the State Administrative Tribunal for review of a decision during the audit period. Therefore, this obligation is unable to be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Construction etc. over or in vicinity of water service works of licensee 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 | 20 | Section 90(7) | 5 | <ul style="list-style-type: none"> The licensee has not issued any compliance notices under the Act during the audit period. Therefore, this obligation cannot be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|--|--|-------------------|
| the person to be given the notice is not the owner of the land. | | | | | | |
| Disconnection or reduction in rate of flow etc. 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"> The licensee does not provide water supply services to dwellings. Therefore, this obligation is not applicable. | <ul style="list-style-type: none"> Interviews with licensee staff | NA |
| Fire hydrants 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"> The licensee does not provide water supply services. Therefore, this obligation is not applicable. | <ul style="list-style-type: none"> Interviews with licensee staff | NA |
| Fire hydrants The licensee must comply with requests made under sections 96(3) and 96(4) of the Act to the extent practicable and within a reasonable time. | 23 | Section 96(5) | 5 | <ul style="list-style-type: none"> The licensee does not provide water supply services. Therefore, this obligation is not applicable. | <ul style="list-style-type: none"> Interviews with licensee staff | NA |
| Minister may require connection to sewerage works If required to by the Minister, the licensee must connect a wastewater inlet on land to the sewerage works of the licensee. | 24 | Section 98(3) | 4 | <ul style="list-style-type: none"> The Shire advises that it did not receive any requests from the Minister to connect a wastewater inlet to the Shire's network in the period being audited. Therefore, this obligation is not able to be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Tradewaste Compliance Notice 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"> Under the Food Act, the licensee requires some commercial premise to have a grease trap. However beyond this, the licensee does not regulate trade waste discharges to its sewerage reticulation system. The system receives predominantly residential and commercial | <ul style="list-style-type: none"> Interviews with licensee staff | NA |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|---|--|-------------------|
| | | | | discharges. The industrial areas in town are serviced by septic systems. <ul style="list-style-type: none"> No trade waste compliance notices have been issued. Therefore, this obligation is not applicable. | | |
| Compliance Notices The licensee must include the information specified in a compliance notice given in relation to the matters set out in section 119(1). | 28 | Section 119(2) | 4 | <ul style="list-style-type: none"> The licensee has not issued any compliance notices under the Act. Therefore, this obligation cannot be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Review of decision relating to giving compliance notices If a person makes an application to the State Administrative Tribunal under section 122(1), the licensee cannot take, or continue to take, action against the person except in the circumstances specified. | 29 | Section 122(2) | 4 | <ul style="list-style-type: none"> The licensee has not issued any compliance notices under the Act and therefore there has been no applications to the Tribunal. Therefore, this obligation is not applicable for the audit period. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Supplying groups of dwellings If the licensee provides a water supply, sewerage or drainage service to 2 or more dwellings on land by a single property connection, the licensee may apportion fees. The licensee cannot apportion fees to the extent inconsistent with any agreement related to such a provision of services, or section 66 of the Strata Titles Act 1985. | 30 | Section 125(2) | 4 | <ul style="list-style-type: none"> The licensee's fees are based on rateable land value and therefore does not apportion fees where two properties share a single property connection. Therefore, this obligation is not applicable. | <ul style="list-style-type: none"> Interviews with licensee staff | NA |
| Prohibition on dealings in land 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) | 5 | <ul style="list-style-type: none"> The licensee advised that it has not lodged any memorials with the Registrar during the audit period. Therefore this obligation is not able to be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|--|-----------------------|------------------------------|----------|---|--|-------------------|
| Reading meters etc. and routine inspection and maintenance If a routine inspection or maintenance is likely to cause disruption to the occupants of a place at least 48 hours' notice of a proposed entry must be given to the occupier of the place unless the occupier agrees otherwise. | 32 | Section 129(5) | 4 | <ul style="list-style-type: none"> The licensee is aware of its obligation to provide 48 hours' notice of a proposed entry. However, the licensee considers that it has not had to provide 48 hours' notice entry for routine inspection and maintenance during the audit period. Entry times would be expected to be agreed with the occupier if required. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Ancillary works powers If the licensee removes or erects a fence or gate when exercising a works power conferred by the Act, the licensee must take all reasonable steps to notify the owner before doing so. | 33 | Section 139(3) | 5 | <ul style="list-style-type: none"> The licensee is aware of its obligation to provide affected parties notice if it removes or erects a fence or gate. Where possible, the licensee provides written notice of any potential disruptions and this will typically be followed up by in person visits. We are satisfied that the licensee has met the requirements of this obligation. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Special provisions applicable to road works 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"> The licensee is also the public authority responsible for managing roads within the operating area with the exception of the major roads that run through the Shire. Therefore this clause is generally not applicable. During the audit period the licensee has not undertaken works in the State controlled main roads. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Prerequisites to provision of major works The licensee must comply with sections 143 and 144 of the Act in relation to the proposed major works, | 35 | Sections 142 | 4 | <ul style="list-style-type: none"> The licensee' has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|--|-----------------------|------------------------------|----------|--|--|-------------------|
| and has given any notice required under section 148. | | | | | | |
| Licensee to prepare plans and publish and give notice of major works Before the licensee submits a proposal for the provision of major works to the Minister, the licensee must prepare, publish and make available plans and details of those major works as specified. | 36 | Sections 143 (2) | 4 | <ul style="list-style-type: none"> The licensee has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated. | <ul style="list-style-type: none"> Interviews with licensee staff Review of Works Register Review of drawings | NR |
| Licensee to prepare plans and publish and give notice of major works 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) | 4 | <ul style="list-style-type: none"> The licensee has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated. | <ul style="list-style-type: none"> Interviews with licensee staff Review of Works Register Review of drawings | NR |
| Objections and submissions The licensee must have regard to an objection or submission lodged within the relevant period. | 38 | Sections 144(3) | 4 | <ul style="list-style-type: none"> The licensee has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated.. | <ul style="list-style-type: none"> Interviews with licensee staff Review of Works Register Review of drawings | NR |
| Licensee may amend proposal 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) | 4 | <ul style="list-style-type: none"> The licensee has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Powers of Minister in respect of proposal The licensee must comply with a direction given by a Minister in respect of a proposal to provide water service | 40 | Section 147(3) | 4 | <ul style="list-style-type: none"> The licensee has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, | <ul style="list-style-type: none"> Interviews with licensee staff | NR |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|--|-----------------------|------------------------------|----------|---|--|-------------------|
| works that are major works under section 143(3). | | | | this obligation is not able to be rated. | | |
| Powers of Minister in respect of proposal 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) | 5 | <ul style="list-style-type: none"> The licensee has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Licensee to prepare plans and give notice of general works 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"> 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. Therefore, this obligation is not able to be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Licensee to prepare plans and give notice of general works 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) | 5 | <ul style="list-style-type: none"> The licensee has not undertaken any general works during the audit period. Therefore this obligation is not able to be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Objections and submissions The licensee must have regard to an objection or submission lodged by the date specified in the notice given under section 151(2). | 44 | Section 152(3) | 4 | <ul style="list-style-type: none"> The licensee has not undertaken any general works during the audit period. Therefore this obligation is not able to be rated | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Licensee may amend proposal 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 | 45 | Section 153(3) | 4 | <ul style="list-style-type: none"> The licensee has not undertaken any general works during the audit period. Therefore this obligation is not able to be rated. | <ul style="list-style-type: none"> Interviews with licensee staff Review of Works Register Review of drawings | NR |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|--|-----------------------|------------------------------|----------|--|--|-------------------|
| person who is likely to be adversely affected by those alterations. | | | | | | |
| Taking of interest in land for purposes of licensee On being advised by the Minister that an interest in land is appropriate to the licensee's needs, the licensee is required to acquire the interest. | 46 | Section 166(5) | 4 | <ul style="list-style-type: none"> The Shire has not been required to take an interest in land under the Act. Therefore, this clause is not able to be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Any costs incurred in taking an interest in land are to be paid by the licensee. | 47 | Section 166(6) | 4 | <ul style="list-style-type: none"> The Shire has not been required to take an interest in land under the Act. Therefore, this clause is not able to be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Sale of land 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"> The Shire has not been required to take an interest in land under the Act. Therefore, this clause is not able to be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Entry with consent or under notice or warrant 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"> Under the Water Services Act (2012), some of the licensee's staff have the authority to enter a property [c.f section 171. (1) (c) (e) (f)]. However no unconsented entries were made during the licence period. The licensee notes that it will almost always be able to be mutually agree entry with owners or occupiers where necessary. Further, the licensee has entry powers under other legislation that it may use if necessary. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Notice of entry | 50 | Section 174(1) | 4 | <ul style="list-style-type: none"> Section 3.1 of the licensee's Customer Service Charter sets out | <ul style="list-style-type: none"> Interviews with licensee staff | NR |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|--|-----------------------|------------------------------|----------|---|--|-------------------|
| 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. | | | | <p>the licensee's powers in relation to entry of property.</p> <ul style="list-style-type: none"> The licensee has not developed any specific documentation to meet the requirements of this obligation and will agree entry with the occupier or owner. Most of the Shire's pipes are located in laneways or Shire property so generally the Shire does not need to gain entry to an occupier or owner's property for any work related to the sewerage service. However, where customers report blockages occurring in the household connection pipes, these are typically attended to by the Shire's Works staff. The licensee does not recall any notices of proposed entry being sent to customers in advance of any proposed planned works being carried out during the audit period. Therefore, this obligation has not been rated. | <ul style="list-style-type: none"> Customer Service Charter | |
| 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"> 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 associated with water services were made during the audit period. Therefore, this obligation has not been rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Rights of occupier of dwelling If an occupier is present when the licensee proposes to enter a dwelling, the licensee must perform the prescribed actions before entering the premises. | 52 | Section 175(2) | 4 | <ul style="list-style-type: none"> Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. Where customers report blockages, these are typically attended to by | <ul style="list-style-type: none"> Interviews with licensee staff | NR |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|--|-----------------------|------------------------------|----------|---|--|-------------------|
| | | | | <p>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.</p> <ul style="list-style-type: none"> ▪ The licensee notes that it will always strive to be courteous and respectful when dealing with customers. ▪ Any entries to a customer's dwelling when the occupier is present are performed in accordance with the prescribed actions included in Section 175(2) of the Act. ▪ However no entries into a customer's dwelling for purposes related to the licenced water services are known to have been made during the audit period. Therefore, this obligation is not able to be rated. | | |
| <p>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.</p> | 53 | Section 175(5) | 4 | <ul style="list-style-type: none"> ▪ Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. However no entries into an unoccupied dwelling were made during the audit period. Therefore, this obligation is not able to be rated. | <ul style="list-style-type: none"> ▪ Interviews with licensee staff | NR |
| <p>When authorised person must leave etc.</p> <p>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.</p> | 54 | Section 176(1) | 4 | <ul style="list-style-type: none"> ▪ No non-consensual or unaccompanied entries to customer properties were made during the audit period by the licensee for the purposes of fulfilling its duties under the licence. ▪ There were no instances of a consensual attendance to a customer's property where consent was withdrawn before the licensee | <ul style="list-style-type: none"> ▪ Interviews with licensee staff | NR |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|--|-----------------------|------------------------------|----------|--|--|-------------------|
| | | | | <p>had left during the audit period. Therefore this obligation is not rated.</p> <ul style="list-style-type: none"> Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. No incidents could be recalled from the audit period where the owner or occupier has refused or withdrawn their consent and the licensee's staff have been required to leave the premises as soon as practicable after being notified. Therefore, this obligation is not able to be rated. | | |
| 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 able to do so. | 55 | Section 176(3) | 4 | <ul style="list-style-type: none"> The licensee's requirements are in accordance with the Act and staff are required to produce their certificate of authority if asked to do so. However, the licensee does not recall any occasions where staff were required to produce their certificate of authority and no evidence of occasions when this has happened are recorded. Therefore, this obligation has been rated as Not Rated. | <ul style="list-style-type: none"> Interviews with licensee staff | 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"> Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. There have been no known cases during the audit period where staff have been requested to produce evidence of authority for that entry by the owner or occupier and not been able to provide the evidence. Therefore, this obligation is not able to be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|---|--|-------------------|
| Actions of authorised persons and others The licensee, or a person assisting the licensee, must, as far as is practicable comply with any reasonable request from the owner or occupier intended to limit interference with the lawful activities of the owner or occupier. | 57 | Section 181 | 5 | <ul style="list-style-type: none"> No non-consensual or unaccompanied entries to customer properties were made during the audit period by the licensee for the purposes of fulfilling its duties under the licence. No records of customer complaints suggesting that the licensee interfered with their lawful activities were observed. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Contents of application If the licensee applies for a warrant, the application must contain the prescribed information. | 58 | Section 186 | 4 | <ul style="list-style-type: none"> The licensee has not applied for any warrants. This obligation is not able to be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| How application to be made If the licensee applies for a warrant to enter, the application must be made in accordance with the procedures specified depending on the location of the applicant and the justice. | 59 | Section 187(1) – (3) | 4 | <ul style="list-style-type: none"> The licensee has not applied for any warrants. This obligation is not able to be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Execution of warrant Unless required to give a copy of the warrant, the licensee executing the warrant must produce the warrant for inspection by the occupier of the place concerned on entry (if practicable), and if requested to do so. | 60 | Section 190(4) | 4 | <ul style="list-style-type: none"> The licensee has not applied for any warrants. This obligation is not able to be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| On completing the execution of a warrant the licensee must record the prescribed information on that warrant. | 61 | Section 190(5) | 4 | <ul style="list-style-type: none"> The licensee has not applied for any warrants. This obligation is not able to be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Designation of inspectors and compliance officers If the licensee designates a person as an inspector or compliance officer, the licensee must give that person a | 62 | Section 210(5) | 4 | <ul style="list-style-type: none"> The licensee has not designated any person as an inspector or compliance officer. Therefore, this obligation cannot be rated | <ul style="list-style-type: none"> Interviews with licensee staff | NR |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|---|--------------------------------|-------------------|
| certificate of authority that includes certain prescribed information. | | | | | | |
| Liability of certain persons for damage caused in exercise of powers In the exercise or purported exercise of a power under the Act, the licensee must ensure that, to the extent practicable, the free use of any place is not obstructed, and that as little damage, harm or inconvenience is caused as is possible. | 63 | Section 218(2) | 5 | <ul style="list-style-type: none"> The licensee has not exercised a works power of power of entry under this act during the audit period. Therefore this obligation is not able to be rated. The licensee has a strong customer focus and strong connection with its customers which provides assurance that it would comply with this obligation if tested. No complaints regarding the licensee's actions to deliver the water service have been received during the audit period. | Interviews with licensee staff | NR |
| If the licensee does any physical damage in the exercise of a works power or a power of entry, the licensee must ensure that the damage is made good, and pay compensation to the extent that it is not practicable to make good the damage. | 64 | Section 218(3) | 4 | <ul style="list-style-type: none"> The licensee has not exercised a works power of power of entry under this act during the audit period. Therefore this obligation is not able to be rated. | Interviews with licensee staff | NR |
| Water Services Regulations 2013 | | | | | | |
| Altering position of service infrastructure in roads If the licensee proposes to exercise a works power in a road and considers that it is necessary to alter the position of infrastructure, the licensee must notify the person who is responsible for the infrastructure and may request that the person make the alterations within the time specified in the notice. | 74 | Regulation 60(2) | 4 | <ul style="list-style-type: none"> The licensee has not exercised a works power in a road during the audit period. Therefore this obligation is not able to be rated. The licensee has well established relationships and processes for liaising with other infrastructure owners. | Interviews with licensee staff | NR |
| Roads broken up to be reinstated If the licensee opens or breaks up the surface of a road, the licensee must complete the relevant work and | 75 | Regulation 63 | 4 | <ul style="list-style-type: none"> The licensee, as a local authority, is also the roads owner and manager. The exception of relevant is for the small section of State controlled | Interviews with licensee staff | NR |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|--|-----------------------|------------------------------|----------|--|---|-------------------|
| reinstate and make good the road, and must take all reasonable measures to prevent that part of the road from being hazardous. | | | | road that coincides with the sewerage network. <ul style="list-style-type: none"> No work requiring the breaking up of a road was carried out during the audit period. The licensee is well aware of its obligations to reinstate and make good roads following works. | | |
| Compliance Notices | | | | | | |
| Compliance notices issued by the licensee must include a brief description of the possible consequences under the Act of not complying with the notice, and the rights of review under the Act in relation to the notice and who may apply for review. | 89 | Regulation 85 | 4 | <ul style="list-style-type: none"> The licensee has not issued any compliance notices during the audit period. Therefore, this obligation is not able to be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Water Services Code of Conduct (Customer Service Standards) 2013 | | | | | | |
| Information about connections | | | | | | |
| The licensee must have written information for customers about the specified matters. | 92 | Clause 7 | 4 | <ul style="list-style-type: none"> The Shire has in place a Connections Policy as part of its Customer Service Charter. Together, these documents fulfil most of the requirements of this obligation. While there is no statement about owners of land to which statutory water service charges apply being <i>entitled</i> to service as per section 73 of the Act, the policy states that Council “<i>shall ... approve connection</i>” for anyone who meets the terms and conditions of the Charter, License and the Water Acts. <ul style="list-style-type: none"> There is no statement about the licensee having a duty to provide | <ul style="list-style-type: none"> Interviews with licensee staff Review of Customer Service Charter Shire website | 1 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|--|-----------------------|------------------------------|----------|---|--|-------------------|
| | | | | <p>services as per section 21 of the act</p> <ul style="list-style-type: none"> – The regulations relating to Section 21(2)(c) or (3)(e) – The fees payable for a sewer connection are not detailed in the customer charter, but are available on the council website. We note that Clause 8 of the Code of Conduct refers to water supply only – so there are no time durations required for sewer services. ▪ The Sewerage Connections Policy and the Customer Service Charter are publically available on the licensee's website, as is the schedule of fees and charges ▪ We consider that the extent of information addressed in the Customer Service and schedule of fees and charges constitutes compliance. We consider that the requirement for the Customer Service Charter to be written in "plain English" means that direct references to the relevant legislation are undesirable and that statement "under the terms and conditions in the charter, licence and water acts" is sufficient reference for customers. | | |
| Minimum performance standards for standard water supply connections 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 | 93 | Clause 8 | 4 | <ul style="list-style-type: none"> ▪ The licensee does not provide water supply services. Therefore, this obligation is not applicable. | <ul style="list-style-type: none"> ▪ Interviews with licensee staff | NA |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|--|-----------------------|------------------------------|----------|---|--|-------------------|
| relevant fees and complied with the relevant requirements. | | | | | | |
| Bills other than for quantities supplied, discharged The licensee must issue a bill for non-quantity charges to each customer at least once in every 12 month period. | 94 | Clause 9 | 4 | <ul style="list-style-type: none"> The licensee issues water service charges along with its general Council rates. This is undertaken annually. | <ul style="list-style-type: none"> Interviews with licensee staff | 1 |
| Bills for quantities supplied, discharged The licensee must issue a bill for usage to each customer at least once in every 6 month period. | 95 | Clauses 10(2) | 4 | <ul style="list-style-type: none"> The licensee does not issue bills for usage. Therefore this obligation is not applicable. | <ul style="list-style-type: none"> Interviews with licensee staff | NA |
| The licensee must ensure a bill for usage is based on a meter reading to ascertain the quantity supplied or discharged. | 96 | Clauses 10(3) | 4 | <ul style="list-style-type: none"> The licensee does not issue bills for usage. Therefore this obligation is not applicable. | <ul style="list-style-type: none"> Interviews with licensee staff | NA |
| If an accurate meter reading is not possible, a bill for usage must be based on an estimation (in accordance with the prescribed regulations) of the quantity of water supplied or waste water discharged. | 97 | Clause 10(4) | 4 | <ul style="list-style-type: none"> The licensee does not issue bills for usage. Therefore this obligation is not applicable. | <ul style="list-style-type: none"> Interviews with licensee staff | NA |
| If an accurate meter reading is not possible and there are no applicable regulations, a bill for usage must be based on a reasonable estimate of supply or discharge using one of the prescribed methods. | 98 | Clause 10(5) | 4 | <ul style="list-style-type: none"> The licensee does not issue bills for usage. Therefore this obligation is not applicable. | <ul style="list-style-type: none"> Interviews with licensee staff | NA |
| Sending bills The licensee must send a bill to the address of the place where the water service is provided or, if the customer nominates another address, to the nominated address. | 99 | Clause 11 | 4 | <ul style="list-style-type: none"> The licensee sends bills to the address nominated by the ratepayer. This does not need to be the location at which the water service is provided. | <ul style="list-style-type: none"> Interviews with licensee staff | 1 |
| Estimates: licensees' obligations | 103 | Clause 13(1) | 4 | <ul style="list-style-type: none"> The licensee does not base bills on usage and, therefore, does not need to make estimates of usage. | <ul style="list-style-type: none"> Interviews with licensee staff | NA |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|--|--|-------------------|
| 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. | | | | Therefore, this obligation is not applicable. The only estimation used to set water service bills is the land value, as determined by the Valuer General. This is explained on customer bills and queries about valuations are directed to the Valuer General's office. | | |
| The licensee must make any adjustments to the next bill to take into account the extent to which the estimate was not reasonable having regard to a subsequent and accurate meter reading. | 104 | Clause 13(2) | 4 | <ul style="list-style-type: none"> The licensee does not base bills on usage and, therefore, does not need to make estimates of usage. Therefore, this obligation is not applicable. | <ul style="list-style-type: none"> Interviews with licensee staff | NA |
| Requested meter readings, revised bills: licensee's obligations 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"> The licensee does not base bills on usage and, therefore, does not have meters. Therefore, this obligation is not applicable. | <ul style="list-style-type: none"> Interviews with licensee staff | NA |
| Leaks The licensee must have a publicly available written policy, standard or set of guidelines in relation to granting a discount to a customer whose meter reading indicates a water usage that is higher than normal for the customer but is likely to have been wasted because of a leak. | 106 | Clause 15 | 4 | <ul style="list-style-type: none"> The licensee does not charge based on usage. Therefore, this obligation is not applicable. | <ul style="list-style-type: none"> Interviews with licensee staff | NA |
| Undercharging in bills The licensee cannot recover an undercharged amount from a customer unless it is for water services provided in the 12 month period ending on the day on which the licensee informed the customer of the undercharging. | 107 | Clause 16(2) | 4 | <ul style="list-style-type: none"> The licensee's charging is based on property valuation and a set rate (\$charge/\$land value) for residential and commercial properties. There are no usage charges. Undercharging could occur where a property valuation used as the basis for billing is found at a later date to be incorrect or if the wrong unit rate had been applied. However, the | <ul style="list-style-type: none"> Interviews with licensee staff | NR |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|--|--|-------------------|
| | | | | <p>licensee advises that it uses the latest available property valuations available from the state valuer and would not retrospectively change the valuation.</p> <ul style="list-style-type: none"> The licensee is not aware of any instances of where it has undercharged customers and has therefore not sought to recover undercharged amounts during the audit period. Therefore this obligation cannot be rated. | | |
| An undercharged amount must be the subject of, and explained in, a special bill or a separate item in the next bill. The licensee cannot charge interest or late payment fees on an undercharged amount. The licensee must allow a customer to pay an undercharged amount by way of a repayment plan as specified in the code of conduct. | 108 | Clause 16(3) | 4 | <ul style="list-style-type: none"> The licensee is not aware of any instances of where it has undercharged customers and has therefore not sought to recover undercharged amounts during the audit period. Therefore this obligation cannot be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| The licensee must not charge interest or late payment fees on an undercharged amount. | 109 | Clause 16(4) | 4 | <ul style="list-style-type: none"> The licensee is not aware of any instances of where it has undercharged customers and has therefore not sought to recover undercharged amounts during the audit period. Therefore this obligation cannot be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| The licensee must allow a customer to pay an undercharged amount by way of a repayment plan that has effect for the duration of shorter of the prescribed periods starting on the day that the bill in clause 16(3) is issued. | 110 | Clause 16(5) | 4 | <ul style="list-style-type: none"> The licensee is not aware of any instances of where it has undercharged customers and has therefore not sought to recover undercharged amounts during the audit period. Therefore this obligation cannot be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Overcharging in bills If the licensee overcharges a customer, the licensee must credit the customer's account and must | 111 | Clause 17(1) | 4 | <ul style="list-style-type: none"> The licensee's charging is based on property valuation and a set rate (\$charge/\$land value) for residential | <ul style="list-style-type: none"> Interviews with licensee staff | NR |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|--|--|-------------------|
| immediately afterwards notify the customer, or inform the customer of the overcharging and recommended options for refunding or crediting the overcharged amount. | | | | <p>and commercial properties. There are no usage charges.</p> <ul style="list-style-type: none"> Overcharging could occur where a property valuation used as the basis for billing is found at a later date to be incorrect or if the wrong unit rate had been applied. However, the licensee advises that it uses the latest available property valuations available from the state valuer and would not retrospectively change the valuation The licensee is not aware of any instances of where it has overcharged customers during the audit period. Therefore this obligation cannot be rated. There was one instance of where a customer believed that they had been incorrectly charged for sewerage services but on investigation this was found to be incorrect. | | |
| The licensee must, in accordance with the customer's instructions, refund or credit the customer's account within 15 business days from starting on the day the licensee receives the instructions. | 112 | Clause 17(2) | 4 | <ul style="list-style-type: none"> The licensee is not aware of any instances of where it has overcharged customers during the audit period. Therefore, this obligation cannot be rated. The licensee has in place established procedures for refunding overcharged amounts on other parts of their rates bills. The overcharged amount is immediately credited to the customer's account. The customer then has the option of leaving this amount as a credit against their account or having the amount refunded to them. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|---|--|-------------------|
| Review of bills The licensee must review a bill on the customer's request. | 113 | Clause 18(1) | 4 | <ul style="list-style-type: none"> The licensee reviews bills when requested to by customers. This is typically performed in person at the Shire offices at the time the request is made. The licensee reports that a small number of requests for review of bills have been received during the audit period. | <ul style="list-style-type: none"> Interviews with licensee staff | 1 |
| The license must have a written procedure for the review of a bill on the customer's request. | 114 | Clause 18(2) | 4 | <ul style="list-style-type: none"> The licensee does not have a written procedure for review of a bill. The licensee has reviewed a number of bills during the audit period to the satisfaction of customers despite not having a written procedure. We consider that the time taken to write, maintain, disseminate and read the procedure would considerably add to the administrative burden of reviewing a customer bill, and perhaps not be justified by the very small number of bill review instances. If there were evidence of inconsistent or problematic treatment of the bill reviews which had taken place (i.e. complaints about the process), a procedure could be better justified. Currently the procedure would add little value to the Shire (and may not add much value for customers). This is, therefore, a minor non-compliance. Any write-offs need to be approved by Council. This is raised as an agenda item which is voted during council meetings. | <ul style="list-style-type: none"> Interviews with licensee staff | 2 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|---|--|-------------------|
| The review procedure in clause 18(2) must include the specified information and be publicly available. | 115 | Clauses 18(3) & (6) | 4 | <ul style="list-style-type: none"> The licensee does not have a written procedure. | <ul style="list-style-type: none"> Interviews with licensee staff | 2 |
| The review procedure must state that the customer may, but does not have to, use the licensee's complaints procedure mentioned in clause 35 before or instead of applying to the water services ombudsman or, if available, making an appeal from, or applying for a review or, the decision under regulations mentioned in section 222(2)(k) of the Act. | 116 | Clause 18(4) | 4 | <ul style="list-style-type: none"> The licensee does not have a written procedure. | <ul style="list-style-type: none"> Interviews with licensee staff | 2 |
| The licensee must inform the customer of the outcome of a review of the customer's bill as soon as practicable or otherwise less than 15 business days from the day the customer's request for review was received. | 117 | Clause 18(5) | 4 | <ul style="list-style-type: none"> The licensee confirms that it informs customers of the outcome of the review of bills within 15 business days (queries are answered on the spot). Complaints about valuations are directed to the Valuer General and are therefore also dealt with immediately. Customers are typically informed at the time that they ask for the review as the licensee endeavours to perform all reviews immediately. | <ul style="list-style-type: none"> Interviews with licensee staff | 1 |
| When payment due if not set under regulations The time set by the licensee for the payment of a bill must be after 14 days from when the bill is issued. | 118 | Clause 20 | 4 | <ul style="list-style-type: none"> The licensee requires payments of its bills within 35 days of issue. | <ul style="list-style-type: none"> Interviews with licensee staff Review of example bill | 1 |
| Payment methods The licensee must allow a customer to pay a bill using any of the prescribed methods selected by the customer. | 119 | Clause 21(1) | 4 | <ul style="list-style-type: none"> The Licensee accepts payments by all the prescribed methods except for direct debit – the licensee is unaware of any Centrepay payments and has not had to investigate or set up this system. We note that Centrepay is not offered on Shire bills. | <ul style="list-style-type: none"> Interviews with licensee staff Review of example bill | 2 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|---|--|-------------------|
| | | | | <ul style="list-style-type: none"> This is a minor non-compliance as customers have multiple other ways to pay a bill. We reviewed a sample bill which we noted provided all the information necessary to make payment by the prescribed methods except for direct debit and Centrepay. We recommend that the licensee develops protocols to allow customers to be able to pay using direct debit in order to comply with this obligation. We also recommend that the licensee advertises direct debit and Centrepay on its bills to inform customers that they can pay a bill using these prescribed methods. | | |
| The licensee must, when offering bill payment method options, inform the customer of the fees and charges (if any) associated with each bill payment method offered. | 120 | Clause 21(2) | 4 | <ul style="list-style-type: none"> The license does not apply any additional fees and charges to different payment methods | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Consent for direct debits Before receiving a bill payment by direct debit the licensee must obtain the express consent, either orally or in writing, of the holder of the account to be debited and of the customer or an adult person nominated by the customer, to do so. | 121 | Clause 22 | 4 | <ul style="list-style-type: none"> The licensee does not accept payment by direct debit therefore this obligation is non-compliant. As for Obligation 119, we recommend that the licensee develops protocols to allow customers to be able to pay using direct debit in order to comply with this obligation. | <ul style="list-style-type: none"> Interviews with licensee staff | 2 |
| Payment in advance The licensee must accept payment in advance from a customer on a customer's request. | 122 | Clause 23(1) | 4 | <ul style="list-style-type: none"> The licensee accepts payment in advance from customers. Payments are credited to the customer's account. | <ul style="list-style-type: none"> Interviews with licensee staff | 1 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|--|---|-------------------|
| Free redirection in absence, illness The licensee must on request and at no charge redirect a customer's bills because of the customer's absence or illness. | 123 | Clause 24 | 4 | <ul style="list-style-type: none"> The licensee is able to redirect customer's bills on request and at no charge. This provision is also set out in the licensee's Financial Hardship Policy. However, no requests for redirection of customer bills are thought to have been carried out during the audit period. | <ul style="list-style-type: none"> Interviews with licensee staff Review of Financial Hardship Policy | NR |
| Assistance for customers experiencing payment difficulties The licensee must allow a customer to pay a bill under a payment plan or other arrangement under which the customer is given more time to pay the bill or to pay arrears if the customer is assessed by the licensee as experiencing payment difficulties. | 124 | Clause 25 | 4 | <ul style="list-style-type: none"> The licensee allows customers to pay bills under a payment plan or other arrangement. Information on payment plans is set out in its Financial Hardship Policy. The Financial Hardship Policy was approved by the ERA on the 16 May 2014 and we viewed a copy of the correspondence from the ERA to confirm this | <ul style="list-style-type: none"> Interviews with licensee staff Review of Financial Hardship Policy | 1 |
| Financial hardship policy The licensee must have a written policy in relation to financial hardship that is approved by the Authority. | 125 | Clauses 26(1) & (2) | 4 | <ul style="list-style-type: none"> The licensee has in place a Financial Hardship Policy that was approved by the ERA. The Financial Hardship Policy is available on the licensee's website. | <ul style="list-style-type: none"> Interviews with licensee staff Review of Financial Hardship Policy Correspondence from ERA dated 16/5/14 approving the Policy | 1 |
| If the licensee's licence was in place before the commencement of the Act, the licensee must have a financial hardship policy before the end of the 6 month period starting on the day on which section 27 of the Act comes into effect. | 126 | Clause 26(3) | 4 | <ul style="list-style-type: none"> The licensee had an operating licence in place before commencement of the Act (version 2 of its licence which commenced in May 2009) and a new version of its licence came into effect on the same day that the Act came into effect. Therefore, the licensee was required to have a financial hardship policy before the end of the 6 month period | <ul style="list-style-type: none"> Interviews with licensee staff Review of Financial Hardship Policy Correspondence from ERA dated 16/5/14 approving the Policy | 1 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
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| | | | | starting on the day on which section 27 of the Act comes into effect. <ul style="list-style-type: none"> Section 27 of the Act commenced on 18 November 2013 (See Note 1 to the Act) and, therefore, the licensee was required to have a Financial Hardship Policy by 18 May 2014. The licensee's Financial Hardship Policy was issued in April 2014 and approved by the Authority on 16 May 2014 and, therefore, complied with this obligation. | | |
| If the licensee's licence was granted after the day on which the Act came into effect, the licensee must have a financial hardship policy within 6 months of the day of the grant of the license. | 127 | Clause 26(4) | 4 | <ul style="list-style-type: none"> The licensee was granted a licence before commencement of the Act. Therefore, this obligation is not applicable. | <ul style="list-style-type: none"> Interview with licensee staff | NA |
| The licensee's financial hardship policy must be publicly available. | 128 | Clause 26(5) | 4 | <ul style="list-style-type: none"> The Financial Hardship Policy is available on the licensee's website. We accessed the Financial Hardship Policy at audit. | <ul style="list-style-type: none"> Interview with licensee staff Access to the licensee's website | 1 |
| The licensee must review its financial hardship policy at least once in every 5 year period and, as part of the review process, consult with relevant consumer organisations. | 129 | Clauses 26(6) | 4 | <ul style="list-style-type: none"> The licensee's Financial Hardship Policy was approved in May 2014 and needs to be reviewed before May 2019. Therefore, this obligation cannot be rated for the audit period. Section 8 of the Financial Hardship Policy states that the licensee will review and update the policy at least every five years. | <ul style="list-style-type: none"> Interview with licensee staff | NR |
| Assistance for customers experiencing financial hardship The licensee must allow a customer experiencing financial hardship to pay a bill under an interest-free or fee-free payment plan other arrangement | 130 | Clause 27(2) | 4 | <ul style="list-style-type: none"> The hardship policy allows for interest to be charged on arrears for customers in payment plans. We note that the approved hardship policy actually states "<i>Additional fees or interest may be applicable</i>" | <ul style="list-style-type: none"> Interviews with licensee staff Review of Financial Hardship Policy | 1 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|--|-----------------------|------------------------------|----------|---|--|-------------------|
| under which the customer is given more time to pay the bill or to pay arrears. | | | | <p>as part of your extension or payment plan." (Section 4, page 4).</p> <ul style="list-style-type: none"> We note that the Code of Conduct 27 (2) states: <i>A licensee must allow a customer to pay a bill under an interest-free and fee-free payment plan or other arrangement under which the customer is given more time to pay the bill or to pay arrears</i> [our emphasis]. The licensee allows customers to pay bills under a payment plan or other arrangement that does not incur interest or fees but the decision not to apply interest is at Council discretion and is on a case-by-case basis. According to the "or other arrangement" statement of the Code of Conduct the licensee is compliant. We note that the Shire Schedule of Fees and Charges does mention a payment plan admin fee (\$23), however this is for general rates. Information on payment plans is set out in its Financial Hardship Policy. It could not be confirmed if there have been any instances of customers paying on a payment plan due to payment difficulties during the audit period, as opposed to using a payment plan for better budgeting. | | |
| The licensee must also consider reducing the amount owed, review and revise, if appropriate, how a customer is paying a bill under clause 27(2) and provide the specified written information to a customer. | 131 | Clause 27(3) | 4 | <ul style="list-style-type: none"> The licensee does consider writing off amounts owed to it in certain circumstances. Approval for writing off amounts owed must be given by the Council, officers are not authorised to do so. | <ul style="list-style-type: none"> Interviews with licensee staff | 1 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|---|--|-------------------|
| | | | | <ul style="list-style-type: none"> The licensee reports that amounts owed are written off from time to time. | | |
| Matters relating to customers experiencing payment difficulties or financial hardship Before the licensee enters into a payment plan or other similar arrangement with a customer who is not the owner of the land in respect of which the water service is provided, the licensee must ensure that the owner is aware of the proposed plan or arrangement. | 132 | Clause 28(1) | 4 | <ul style="list-style-type: none"> The licensee only bills owners of lands for water services and, therefore, meets the requirements of this obligation. | <ul style="list-style-type: none"> Interviews with licensee staff | 1 |
| The licensee must have publicly available written information regarding the payment plans, arrangements and other assistance that is available to customers. | 133 | Clauses 28(4) & (5) | 4 | <ul style="list-style-type: none"> This information is available in the licensee's Financial Hardship Policy. The Financial Hardship Policy is publically available on the licensee's website. | <ul style="list-style-type: none"> Interview with licensee staff Review of Financial Hardship Policy Access to the licensee's website | 1 |
| No debt collection in certain cases The licensee must not commence or continue proceedings to recover a debt from a customer who is complying with a payment plan or other arrangement, or who is being assessed for payment difficulties or who is being assessed for financial hardship. | 134 | Clause 29 | 4 | <ul style="list-style-type: none"> Licensee to put in place system to ensure that credit path to debt collectors and bailiff is stopped when payment plan is entered into (e.g. check boxes on payment plan template which are filled in and signed off by officer arranging payment plan). Currently it would not be possible to demonstrate that debt collection is definitively stopped when a payment plan is entered into. The licensee may be compliant but it is currently unable to <i>demonstrate</i> compliance on this issue. | <ul style="list-style-type: none"> Interviews with licensee staff | 2 |
| Water flow not to be reduced below minimum rate | 139 | Clause 33 | 4 | <ul style="list-style-type: none"> The licensee does not provide a potable water supply service. | <ul style="list-style-type: none"> Interviews with licensee staff | NA |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|---|--|-------------------|
| The licensee must not reduce the rate of flow of water to a customer to below 2.3 litres each minute. | | | | Therefore this obligation is not applicable. | | |
| Minimum performance standards for restoration of water supply The licensee (other than the Water Corporation) must restore a water supply to land within the specified timeframe, unless the licensee and customer expressly agree otherwise. | 142 | Clauses 34(4) | 4 | <ul style="list-style-type: none"> The only customer for the licensee's water supply (recycled water) service is the licensee. Therefore, the licensee will always be in agreement with itself regarding water restoration timeframes. Therefore, this obligation is not applicable. | <ul style="list-style-type: none"> Interviews with licensee staff | NA |
| The licensee (other than the Water Corporation) must ensure that there is a 90% compliance rate with clause 34(4) in any 12 month period ending on 30 June. | 144 | Clauses 34(6) | 4 | <ul style="list-style-type: none"> The only customer for the licensee's water supply (recycled water) service is the licensee. As a result, the licensee will always be in agreement with itself regarding water restoration timeframes and so the specified timeframes are not relevant. Therefore, this obligation is not applicable. | <ul style="list-style-type: none"> Interviews with licensee staff | NA |
| Procedure for dealing with complaints about water services The licensee must have a written complaints procedure in relation to investigating and dealing with complaints of customers about the provision of water services by the licensee or a failure by the licensee to provide a water service. | 145 | Clauses 35(1) | 4 | <ul style="list-style-type: none"> The licensee's Customer Service Charter details how it receives and responds to complaints. Complaints may be received by telephone, in person at the Shire's customer service centre or via a webform on the licensee's website. There is a complaint form and a complaints register, which can be filled by Council staff or members of the public. The licensee has in place important parts of a complaints handling procedure. However, the complaints procedure is not fully documented We consider that this constitutes a minor non-compliance as the effect of a lack of detailed written procedure is likely to be insignificant | <ul style="list-style-type: none"> Interviews with licensee staff | 2 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|--|--|-------------------|
| | | | | on the way the Shire deals with customer complaints. | | |
| 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"> The main components of a complaints procedure under AS ISO10002-2006 (now superseded by the 2014 version) are: <ul style="list-style-type: none"> Commitment Supporting policy and procedures Defined responsibilities Staff awareness The licensee displays commitment to managing complaints observed through discussion with its staff. It also has some processes in place, for example a complaints recording form. However, it does not have in place a procedure and defined responsibilities for responding to and resolving complaints. We consider that as above this constitutes a minor non-compliance. | <ul style="list-style-type: none"> Interviews with licensee staff | 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"> The licensee's Customer Service Charter addresses some of the matters under this obligation. However, the document does not sufficiently address all the matters under this obligation, including dispute resolution arrangements and resolving complaints. We consider this to be a minor non-conformance. We note that the Licensee has not received any complaints from customers related to its water services during the audit period. | <ul style="list-style-type: none"> Interviews with licensee staff | 2 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|--|-----------------------|------------------------------|----------|--|---|-------------------|
| The licensee's complaints procedure must inform the customer that they do not have to use the licensee's complaints procedure, provide details of procedures under the Act, and set out the costs and benefits to the customer if the use the complaint resolution procedure or instead of the procedures under the Act. | 148 | Clauses 35(4) | 4 | <ul style="list-style-type: none"> The licensee's Customer Service Charter addresses some of the matters under this obligation. However, the document does not sufficiently address all the matters under this obligation. We consider this to be a minor non-conformance. We note that the Licensee has not received any complaints from customers related to its services during the audit period. | <ul style="list-style-type: none"> Interviews with licensee staff | 2 |
| The licensee's complaints procedure must be publicly available. | 149 | Clauses 35(6) | 4 | <ul style="list-style-type: none"> The licensee does not have a complaints procedure that is publically available. We consider this to be a minor non-conformance. | <ul style="list-style-type: none"> Interviews with licensee staff | 2 |
| Services to be provided without charge The licensee must provide a customer with the specified services on request and at no charge. | 150 | Clause 36(1) | 4 | <ul style="list-style-type: none"> The licensee makes these services available to customers at no charge. The licensee has in place a free translation service (by phone). Large font can be made available on request for electronic documents (font can be changed). We have witnessed that many of the licensee's documents, e.g. the Financial Hardship Policy, include accessibility information | <ul style="list-style-type: none"> Interviews with licensee staff Disability access and inclusion plan Financial Hardship Policy | 1 |
| The licensee must make available to each customer the customer's personal account information. | 152 | Clause 36(2) | 4 | <ul style="list-style-type: none"> The licensee provides account information such as current account balance when requested. | <ul style="list-style-type: none"> Interviews with licensee staff | 1 |
| Information to be publicly available The licensee must make the prescribed information publicly available. | 153 | Clause 37(1) | 4 | <ul style="list-style-type: none"> The licensee makes the required information publically available as follows: <ul style="list-style-type: none"> (a) Fees and charges are publically available in the annual budget. Fees and | <ul style="list-style-type: none"> Interviews with licensee staff Disability access and inclusion plan Financial Hardship Policy | 2 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|-------------------|-----------------------|------------------------------|----------|---|----------------------------|-------------------|
| | | | | <p>charges are also in the Shire minutes (which are on the website). Rates charges are also sent out to customers with their rates bill.</p> <p>(b) Bill payment methods are available on the customer's bill.</p> <p>(c) Exemptions, rebated, discounts are on the customer's bill.</p> <p>(d) The licensee's Financial Hardship Policy notes that customers can contact the Shire through the National Relay Service, Speak and Listen phone service or with assistance from the National Interpreter Service. We note, however, that the licensee does not make reference to large-print services in publically available information and, therefore, we consider that this is a minor non-compliance. The licensee does, however, offer this service.</p> <p>(e) Authorised person powers – this is in the Water Services Act which is a publicly available document, but not on the Shire's website. It may be beneficial to the Shire's customers if the Shire notes who is authorised to do what on the Shire website in plain English. References (links)</p> | | |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|--|--|-------------------|
| | | | | to the Act can be provided in support. (f) Not applicable (g) Not applicable (h) Not applicable (i) Not applicable (j) Not applicable (k) Not applicable (l) Not applicable | | |
| Accounting Records (Clause 12) | | | | | | |
| The licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards. | 160 | Section 12 | 5 | <ul style="list-style-type: none"> Accounting records are prepared in accordance with AASB standards. Financial records are included in the Shires' annual reports and are published on the internet. The financial statement includes a sign-off from the independent auditor and the Shire's CEO that the financial report complies with the Australian Accounting Standards and the provisions of the <i>Local Government Act 1995</i> and the regulations under that Act related to Financial Management. | <ul style="list-style-type: none"> Interviews with licensee staff Review of financial statements in annual reports | 1 |
| Individual Performance Standards (Clause 13) | | | | | | |
| The licensee must comply with any individual performance standards prescribed by the Authority. | 161 | Section 12 | 4 | <ul style="list-style-type: none"> There are no individual performance standards specified in Schedule 3 of the licensee's licence. Therefore, this obligation is not applicable. | <ul style="list-style-type: none"> Interviews with licensee staff | NA |
| Operational Audit (Clause 14) | | | | | | |
| The licensee, must, unless otherwise notified in writing by the Authority, provide the Authority with an operational audit within 24 months | 9 | Section 25 | 5 | <ul style="list-style-type: none"> The licensee is currently subject to operational audits at 36 month intervals and this was confirmed by | <ul style="list-style-type: none"> Interviews with licensee staff Review of previous operational audit report | 1 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|--|-----------------------|------------------------------|----------|---|--|-------------------|
| after the commencement date, and every 24 months thereafter. | | | | the Authority in writing at the completion of the last audit. <ul style="list-style-type: none"> The last operational audit was undertaken in 2011 by Quantum Assurance (report prepared in February 2012) which covered the period from 1 December 2008 to 30 November 2011. The next operational audit (this audit) covers the period from 1 December 2011 to 30 November 2014. | (Quantum Assurance, February 2012) | |
| The licensee must cooperate with the independent expert and comply with the Authority's standard audit guidelines dealing with the operational audit. | 162 | Section 12 | 4 | <ul style="list-style-type: none"> The current operational audit follows the ERA Audit Guidelines – Electricity, Gas and Water Licences (August 2010) and 2014 Audit and Review Guidelines - Water Licences – Final (July 2014) The licensee's staff were helpful and friendly during the course of the audit. | | 1 |
| Reporting a Change in Circumstance (Clause 15) | | | | | | |
| The licensee must report to the Authority, in the manner prescribed, if a licensee is under external administration or there is a material change in the circumstances upon which the licence was granted which may affect a licensee's ability to meet its obligations. | 163 | Section 12 | 4 | <ul style="list-style-type: none"> The licensee is not under external administration and there has been no material change of circumstances. Therefore, this clause is not able to be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| The licensee must report to the Authority within 10 business days of providing or undertaking water service works that are major works or general works. | 164 | Section 12 | 4 | <ul style="list-style-type: none"> As noted, the licensee has not undertaken any major works or general works during the audit period. Therefore this obligation is not able to be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Provision of Information (Clause 16) | | | | | | |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|--|-----------------------|------------------------------|----------|--|--|-------------------|
| The licensee must provide the Authority any information that the Authority may require in connection with its functions under the Act in the time, manner and form specified by the Authority. | 165 | Section 12 | 4 | <ul style="list-style-type: none"> The licensee has generally provided the required information to the Authority. One exception is noted at obligation 166 and so this obligation is noted as a non-compliance. | <ul style="list-style-type: none"> Interviews with licensee staff 2013/14 Compliance Report | 2 |
| The licensee must comply with any information reporting requirements prescribed by the Authority, including but not limited to the provisions of the Water Compliance Reporting Manual that apply to the licensee. | 166 | Section 12 | 4 | <ul style="list-style-type: none"> The licensee was late for the provision of the 2012-13 and 2013-14 performance report. We consider this to be a minor non-compliance. The previous audit noted that the performance report for the year ended 30 June 2011 was submitted after the due date. The Shire noted this finding in its response and stated that the issue has since been resolved as part of its Compliance Schedule and Corporate Calendar. The action was completed by the CSM. | <ul style="list-style-type: none"> Interviews with licensee staff 2013/14 Compliance Report | 2 |
| 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 | Section 12 | 3 | <ul style="list-style-type: none"> The licensee has provided the Authority with performance reporting data. | <ul style="list-style-type: none"> Interviews with licensee staff Performance reporting data for 11/12, 12/13, 13/14 | 1 |
| Publishing Information (Clause 17) | | | | | | |
| Subject to clause 17.3, the licensee must publish within the specified timeframe any information that the Authority has directed the licensee to publish under clause 17.1. | 168 | Section 12 | 4 | <ul style="list-style-type: none"> The Authority has not directed the licensee to publish information related to this obligation. Therefore, the obligation cannot be rated. Note that publication of the Financial Hardship Policy followed timing under legislation, not at the Authority's direction. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|--|-----------------------|------------------------------|----------|---|---|-------------------|
| Notices (Clause 18) | | | | | | |
| Unless otherwise specified, all notices must be in writing. | 169 | Section 12 | 4 | <ul style="list-style-type: none"> The licensee issues all formal correspondence in writing. We reviewed a sample of correspondence at audit | <ul style="list-style-type: none"> Interviews with licensee staff Annual Compliance | 1 |
| Asset Management System (Clause 20) | | | | | | |
| The licensee must provide for, and notify the Authority of, an asset management system within the specified time unless otherwise notified by the Authority. | 170 | Section 12 | 4 | <ul style="list-style-type: none"> The licensee provided details of the asset management system at the time of its licence application. This obligation is not applicable for the audit period. | <ul style="list-style-type: none"> Interviews with licensee staff | NA |
| The licensee must notify the Authority of any material change to the asset management system within 10 business days of the change. | 171 | Section 12 | 5 | <ul style="list-style-type: none"> The licensee notified the ERA of a number of changes to the asset management plan on the following dates (19 November 2012 and 21 May 2013). These changes, which were in response to the 2011 audit improvement plan, were not material changes to the asset management system. Therefore, the licensee was not required to notify the Authority within 10 business days of the changes. The previous audit noted that the AMP had not been updated to facilitate meeting the requirement of notifying the Authority within the specified timeframe of any changes to the AM system. Specifically, the AMP – Monitoring and Review Procedures section required an update to include this requirement, and a document history section was required to be added (detailing the date of each review/update, the person who performed the review/revision and a brief | <ul style="list-style-type: none"> Interviews with licensee staff | NR |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|--|-----------------------|------------------------------|----------|--|---|-------------------|
| | | | | description of the modifications made). <ul style="list-style-type: none"> The Shire noted in its response that the AMP would be updated as per the auditor's recommendations. The action was to be completed by the CSM in July 2012. | | |
| The licensee must cooperate with the independent expert and comply with the Authority's standard guidelines dealing with the asset management system review. | 172 | Section 12 | 4 | <ul style="list-style-type: none"> The asset management system review is being conducted in accordance with the Authority's <i>Audit and Review Guidelines: Water Licences (2014)</i> and the preceding <i>Audit Guidelines: Electricity, Gas and Water Licences (2009)</i> as both were in effect during the audit period. An audit plan consistent with these guidelines has been prepared prior to this audit. The licensee has been consulted with respect to the audit plan and the audit plan has been approved by the Authority. The outcomes of the asset management system review are in a later section of this report. | <ul style="list-style-type: none"> Audit and review plan Audit and review guidelines Interviews with licensee staff | 1 |
| The licensee must have an asset management system that provides for the operation and maintenance of the water service works. | 6 | Sections 24(1)(a) & 24(2) | 4 | <ul style="list-style-type: none"> The licensee has in place an asset management system for the operation and maintenance of its water service works. The main components of the asset management system are: <ul style="list-style-type: none"> A comprehensive asset management plan that is updated annually Inspection, monitoring and operation procedures and checklists Staff training and awareness | <ul style="list-style-type: none"> Interviews with licensee staff Asset management plan Weekly operator checklist Maintenance and operations procedures Supporting tools | 1 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|--|-----------------------|------------------------------|----------|---|---|-------------------|
| | | | | <ul style="list-style-type: none"> 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. We note that the asset management plan was last updated in 2012 (according to the document history page) although a previous recommendation was made that it be updated annually (for asset condition). | | |
| The licensee must give details of the asset management system and any changes to it to the Authority. | 7 | Section 24(1)(b) | 5 | <ul style="list-style-type: none"> The licensee provided details of the asset management system at the time of its licence application. This obligation is not applicable for the audit period. | <ul style="list-style-type: none"> Interviews with licensee staff | NA |
| A licensee must provide the Authority with a report by an independent expert as to the effectiveness of its asset management system every 24 months, or such longer period as determined by the Authority. | 8 | Section 24(1)(c) | 5 | <ul style="list-style-type: none"> An asset management system review was conducted by Quantum Assurance in the report dated May 2012, which covered the period 1/12/2008 to 30/11/2011. The next asset management system review (this review) covers the period from 1 December 2011 to 30 November 2014. | | |
| Water Services Ombudsman Scheme (Clause 21) | | | | | | |
| The licensee must not supply water services to customers unless the licensee is a member of and bound by the water services ombudsman scheme. | 173 | Section 12 | 4 | <ul style="list-style-type: none"> The Energy and Water Ombudsman of Western Australia became responsible for the water services ombudsman scheme referred to in Part 4 of the Act on 1 January 2014 The licensee is a member of this scheme. | <ul style="list-style-type: none"> Interviews with licensee staff Correspondence Ombudsman website | 1 |
| Licensees who are required to be a member of the water services ombudsman scheme agree to be | 15 | Section 66 | 4 | <ul style="list-style-type: none"> The licensee has agreed to be bound by and compliant with any | <ul style="list-style-type: none"> Interviews with licensee staff | 1 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|--|-----------------------|------------------------------|----------|---|---|-------------------|
| bound by, and compliant with, any decision of direction of the water services ombudsman under the scheme. | | | | decision or direction of the Ombudsman. ▪ The licensee advised that no complaints concerning the licensee have been referred to the Ombudsman during the audit period. | ▪ Correspondence ▪ Complaints register | |
| Standard Terms & Conditions of Service (Clause 22) | | | | | | |
| Subject to the Act and the terms of a customer contract that apply to the water service, the licensee must supply water services in accordance with the terms and conditions set out in Schedule 4 (if any). | 174 | Section 12 | 4 | ▪ There are no Standard Terms and Condition of Service that apply to the licensee. This obligation is not applicable. ▪ The licensee seeks to provide its services in accordance with the Act and other legislation including the <i>Local Government Act 1995</i> . | ▪ Interviews with licensee staff | NA |
| Customer Contract (Clause 23) | | | | | | |
| If directed by the Authority, the licensee must submit a draft customer contract for approval. | 175 | Section 12 | 5 | ▪ 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. | ▪ Interviews with licensee staff | NR |
| The licensee must comply with any Customer Contract Guidelines that apply to the licensee. | 176 | Section 12 | 5 | ▪ 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. | ▪ Interviews with licensee staff | NR |
| The licensee may only amend the customer contract with the Authority's approval. | 177 | Section 12 | 5 | ▪ 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. | ▪ Interviews with licensee staff | NR |
| The licensee must comply with any direction by the Authority to amend the customer contract. | 178 | Section 12 | 5 | ▪ 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. | ▪ Interviews with licensee staff | NR |
| Non Standard Terms & Conditions of Service (Clause 24) | | | | | | |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|--|-----------------------|------------------------------|----------|--|--|-------------------|
| Unless clause 24.3 applies, the licensee cannot enter into an agreement with a customer to provide water services that exclude, modify or restrict the terms and conditions of the licence or the requirements of the Customer Services Code without the prior approval of the Authority. | 179 | Section 12 | 4 | <ul style="list-style-type: none"> The licensee has not entered into any agreements with customers to provide water services that exclude, modify or restrict the terms and conditions of the licence or the requirements of the Customer Services Code. | <ul style="list-style-type: none"> Interviews with licensee staff | 1 |
| If the licensee enters into an agreement that excludes, modifies or restricts the terms and conditions of the licence or the requirements of the Customer Services Code, the licensee must publish an annual report containing the information specified. | 180 | Section 12 | 4 | <ul style="list-style-type: none"> The licensee has not entered into any agreements with customers to provide water services that exclude, modify or restrict the terms and conditions of the licence or the requirements of the Customer Services Code. This obligation is not able to be rated. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Supplier of Last Resort (Clause 25) | | | | | | |
| If the licensee is appointed as the supplier of last resort for a designated area, the licensee must perform the functions of a supplier of last resort, comply with the duties imposed by the Act and carry out its operations under or for the purpose of the last resort plan in accordance with the Act. | 181 | Section 12 | 4 | <ul style="list-style-type: none"> The licensee has not been appointed as a supplier of last resort. This obligation is not applicable. | <ul style="list-style-type: none"> Interviews with licensee staff | NA |
| If the licensee is the supplier of last resort for a designated area, the licensee must perform the functions of the supplier of last resort and must comply with the relevant duties and carry out the relevant operations prescribed. | 14 | Section 60 | 4 | <ul style="list-style-type: none"> The licensee has not been appointed as a supplier of last resort. This obligation is not applicable. | <ul style="list-style-type: none"> Interviews with licensee staff | NA |
| Duties of the Licensee (Clause 26) | | | | | | |
| The licensee must comply with the duties imposed on it by the Act in relation to its licence and must carry | 12 | Section 29 | 4 | <ul style="list-style-type: none"> The duties of the licensee are set out in Part 2, Division 3 of the Act. The compliance of the licensee with these obligations has already been tested in this audit, resulting in a | <ul style="list-style-type: none"> Interviews with licensee staff | 2 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|---|--|-------------------|
| out its operations in respect of the licence in accordance with the Act. | | | | <p>number of non-compliances being found. As a result, this obligation has been rated as non-compliant.</p> <ul style="list-style-type: none"> The licensee seeks to comply with its duty to provide sewerage and non-potable water services within its operating area. The licensee is the only user of the non-potable water service and provides sewerage services to most of the residents in the township of Dalwallinu. The licensee has not received any complaints regarding its water services in the audit period. The licensee advises it has not refused provision of sewerage services nor suspended provision of sewerage services in the audit period. We have noted some non-compliances with the requirements of the Code of Conduct as summarised under obligation 11. | | |
| Provision of Water Services (Clause 27) | | | | | | |
| The licensee must provide a water service authorised by the licence to persons entitled to the service under the Act, except to the extent otherwise provided for by the Act. | 1 | Section 21(1)(a) | 5 | <ul style="list-style-type: none"> The licensee provides sewerage services and non-potable water services under the Act The sewerage service is currently available for connection in almost all residential areas of the town of Dalwallinu. Entitlement to services is conditional on being in the service area and paying the water service charges, as per section 73 (1) of the Act " <i>The owner of land in respect of which statutory water service charges apply for the provision of a water service by a licensee is entitled to the provision of the water</i> | <ul style="list-style-type: none"> Interviews with licensee staff Map of water service area Copies of charge notices for unconnected properties | 1 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|--|-----------------------|------------------------------|----------|---|--|-------------------|
| | | | | <p>service.”. The licensee confirmed that properties which are adjacent to the network do pay the sewer service charge, because the service is available and they have the option to connect.</p> <ul style="list-style-type: none"> ▪ The licensee's Customer Service Charter sets out the conditions of and process for connecting to its sewerage network. ▪ The licensee can enforce connection to its network if the sewer network “is available” to a new development. ▪ The non-potable water supply service is not available to customers other than the Shire itself. Land owners are not entitled to this service as they do not pay a water service charge for it. ▪ 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. ▪ 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 adjacent to 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. | | |
| 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 | 2 | Section 21(1)(b) | 4 | <ul style="list-style-type: none"> ▪ The water service charges are determined annually by Water Corporation, which informs the Shire what to charge in an annual letter. | <ul style="list-style-type: none"> ▪ Letter from Water Corporation with rates determination | 1 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|---|-----------------------|------------------------------|----------|--|--|-------------------|
| operating area who are not entitled to the service under the Act. | | | | <ul style="list-style-type: none"> Water service charges are based on the rateable value of the land determined by the state valuer. The licensee advises that there have been no instances where it has discontinued providing a service because it has been not practicable or not financially viable. The sewerage network is limited to the extent of the Dalwallinu township. New developments are required to connect to the network if they are adjacent to the network. | | |
| The licensee must provide, operate and maintain the water service works specified by the Authority in the licence. | 3 | Section 21(1)(c) | 4 | <ul style="list-style-type: none"> The licensee is operating the water services described in its licence. | <ul style="list-style-type: none"> Site visits | 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 | Section 12 | 4 | <ul style="list-style-type: none"> The licensee does not provide a water service outside of the operating area. This obligation is not able to be rated for the audit period. | <ul style="list-style-type: none"> Interviews with licensee staff Review of operating area map Inspection of assets | NR |
| The licensee must notify the Authority as soon as practicable before commencing to provide the water service outside of the operating area of the licence. | 4 | Section 22 | 4 | <ul style="list-style-type: none"> The licensee does not provide a water service outside of the operating area. This obligation is not able to be rated for the audit period. | <ul style="list-style-type: none"> Interviews with licensee staff | NR |
| Works Holding Arrangements (Clause 29) | | | | | | |
| All water service works used by the licensee in the provision of a water service must be held by the licensee, or must be covered by an agreement whereby the licensee can operate the works so as to comply with its | 5 | Section 23 | 4 | <ul style="list-style-type: none"> The licensee owns all of the water service works used to provide the water service | <ul style="list-style-type: none"> Interviews with licensee staff Review financial records | 1 |

| Performance Areas | Compliance Manual Ref | Licence/ Code Clause/Section | Priority | Observations | Evidence (Include Contact) | Compliance Rating |
|--|-----------------------|------------------------------|----------|---|--|-------------------|
| obligations, or must fit in to other prescribed categories under the Act. | | | | | | |
| Hardship Policy (Clause 30) | | | | | | |
| The licensee must comply with the Authority's Financial Hardship Policy Guidelines as they apply to the licensee. | 183 | Section 12 | 4 | <ul style="list-style-type: none"> The licensee has prepared a Financial Hardship Policy with reference to the Authority's guideline and using the template provided by the Authority. The Financial Hardship Policy has been approved by the Authority. | <ul style="list-style-type: none"> Financial Hardship Policy. ERA Approval letter | 1 |
| Memorandum of Understanding (Clause 31) | | | | | | |
| The licensee must enter into a Memorandum of Understanding with the Department of Health as soon as practicable after the commencement date. | 184 | Section 12 | N/A | <ul style="list-style-type: none"> The licensee does not provide potable water. This obligation is not applicable. | <ul style="list-style-type: none"> Interviews with licensee staff Review asset management plan Inspection of assets | NA |
| The Memorandum of Understanding must comply with the specified requirements in relation to legal standing of the document and compliance audits by the Department of Health. | 185 | Section 12 | N/A | <ul style="list-style-type: none"> The licensee does not provide potable water. This obligation is not applicable. | <ul style="list-style-type: none"> Interviews with licensee staff Review asset management plan Inspection of assets | NA |
| The licensee must comply with the terms of the Memorandum of Understanding. | 186 | Section 12 | N/A | <ul style="list-style-type: none"> The licensee does not provide potable water. This obligation is not applicable. | <ul style="list-style-type: none"> Interviews with licensee staff Review asset management plan Inspection of assets | NA |
| Performance Standards (Schedule 3) | | | | | | |
| The licensee must comply with the service and performance standards as set out in Schedule 3. | 190 | Section 9 | N/A | Schedule 3 is blank, this is not applicable. | | NA |

5.2 Asset Management System Review

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

Table 5-1 Asset Management System Review Observations

| Description | Observations | Evidence (Include Contact) |
|---|---|--|
| Asset Planning – Overall Rating: A2 | | |
| <ul style="list-style-type: none"> Asset management plan covers key requirements Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning Service levels are defined Non-asset options (e.g. demand management) are considered Lifecycle costs of owning and operating assets are assessed Funding options are evaluated Costs are justified and cost drivers identified Likelihood and consequences of asset failure are predicted Plans are regularly reviewed and updated | <ul style="list-style-type: none"> The Sewerage Scheme Asset Management Plan (Sewer AMP) was revised in 2012. An O&M manual was developed in 2013 (but this is not part of the AMP). We note that the Shire has a council wide asset management plan which was updated in November 2014 and developed by consultants Core Business Australia. This is referred to as the Core AMP We reviewed the Sewer AMP and confirm that it covers most of the key requirements of the February 2014 Section 39 review to align with the effectiveness criteria in the Guideline. The Core AMP lists stakeholders for the various Council services, but not the sewer service specifically. The Sewer AMP does not specifically refer to stakeholders and the extent to which they were consulted regarding planning or levels of service. Service levels are defined in the Sewer AMP Levels of service are detailed in a number of areas of the plan. These include reference to legislative requirements, as well as 'Key Services Criteria' defined and the performance standards set out in the former version of the licence. We observed that the Sewer AMP refers to the sewerage system, not the recycled water / irrigation system. Sewer network assets are also not detailed in the plan – these could both be usefully included (mainly above ground assets are included in the plan). Levels of service also do not refer to any irrigation / recycled water levels of service. The wider council (Core) AMP also does not refer to any levels of service, but recommends that these be elaborated by Council for the next update. The Core AMP does not have any demand projections but recommends Council develop these. The stable growth means that there are no capacity upgrades planned in the planning horizon. Non-asset options are considered by the Shire in development and refinement of its planned sewer cleaning program (e.g. the Shire recently | <ul style="list-style-type: none"> GIS Asset database / information system Overview of planning approach Population projections Infrastructure Planning Reports Example planning reports Review of asset management plans Service level agreements |

| Description | Observations | Evidence (Include Contact) |
|-------------|---|----------------------------|
| | <p>acquired a jet to replace the snake for sewer unblocking and cleaning).</p> <ul style="list-style-type: none"> ▪ The Sewer AMP plan does not include an assessment of future population growth based on historical data and instead notes that population decline has stopped and a stable population is forecast for the next few years, which is expected to result in stable demand. We note that a number of houses are currently under construction in the Shire and that population may actually be increasing. ▪ The Shire has produced an O&M manual for the wastewater system, including the irrigation and chlorination systems. ▪ The Shire has not prepared a renewals model to determine the appropriate annuity, however a capital works schedule for the period 2006-7 to 2015-16 was included in the plan. ▪ The Core AMP refers to life cycle costs and estimates an appropriate annuity level, noting that the Shire is not spending enough on asset replacement (there is a funding shortfall). We note this finding is over the whole of Shire assets (not the sewer service specifically). ▪ The Shire prepares an annual operating budget as part of the overall Shire budget preparation process. ▪ The licensee has adopted a number of cost drivers to assist in its asset planning which are described in the Core Asset Plan. These are Quality, Aesthetics, Quantity, Reliability, Safety, Responsiveness, Capacity, Environmental Acceptability, Fitness for purpose, Costs. ▪ The likelihood and consequence of asset failure have not been assessed comprehensively and are not included in the AMP – this is an aspect which would improve the Sewer AMP. The Core AMP does not contain a risk assessment either, but does describe how one might be done. It recommends that the Shire complete a risk assessment. The Core AMP notes that the Shire does have an emergency and disaster plan in place. ▪ The Shire has a risk management plan which is appended to the AMP. It does not have a risk management framework consistent with ISO31000, but the risk management plan reflects what a standard framework would produce anyway (key risks are identified). ▪ The Shire's asset management planning has been periodically improved since it took responsibility from Water Corporation. The asset management plan was last updated in November 2012 | |

| Description | Observations | Evidence (Include Contact) |
|--|--|---|
| Asset Creation – Overall Rating: A2 | | |
| <ul style="list-style-type: none"> Full project evaluations are undertaken for new assets Evaluations include all life-cycle costs Projects reflect sound engineering and business decisions Commissioning tests are documented and completed Ongoing legal / environmental / safety obligations of the asset owner are assigned and understood | <ul style="list-style-type: none"> Asset creation and acquisition is undertaken in accordance with the Shire's generic procurement policies and budgeting process. There is no specific asset register or process for the water service assets. The Core Asset Management Plan recommends that the Shire develop an asset replacement and renewal strategy. We note that no major expenditure is planned in the short term, however the Long-Term Financial Plan allows for \$1m in 2020/21 for the replacement of the Imhoff tank. This is a very significant expenditure and should be comprehensively evaluated and justified as the date for replacement approaches. Expenditure is subject to review through the annual budgeting process. The Shire's capital expenditure includes renewals as well as upgrades. The need for the works is quite clear. The capital expenditure plan in the Sewerage Scheme AMP does not appear to have been updated since 2006 and is not consistent with the projected expenditure in the Shire Long Term Financial Plan (LTFP). The Shire's procurement processes require at least three quotes to be obtained for expenditure over \$1,000 where the supplier is not on a state-wide (WALGA) preferred supplier panel. This assists in achieving efficient costs The Shire's asset management plan includes short justifications for each of the major expenditure items planned for the 2014/15 financial year. The justifications are all sufficiently robust given the nature of the expenditure. No major assets have recently been procured and commissioned during the review period. The Shire has developed a compliance register to reflect ongoing obligations. | <ul style="list-style-type: none"> Asset database / information system Policies and procedures for asset creating and acquisition. Accounting and engineering |
| Asset Disposal – Overall Rating: A2 | | |
| <ul style="list-style-type: none"> Under-utilised and under-performing assets are identified as part of a regular systematic review process The reasons for under-utilisation or poor performance are critically | <ul style="list-style-type: none"> The Shire regularly inspects its facility assets, typically daily at the treatment plant. Any asset deficiencies of condition and performance are noted. For its sewer network, inspections are made weekly via the manholes (to look for flow restrictions). | <ul style="list-style-type: none"> Asset database / information system Policies and procedures for asset disposal. Accounting and engineering |

| Description | Observations | Evidence (Include Contact) |
|--|--|----------------------------|
| <p>examined and corrective action or disposal undertaken</p> <ul style="list-style-type: none"> Disposal alternatives are evaluated There is a replacement strategy for assets | <ul style="list-style-type: none"> According to the Core AMP, the Shire does not have an asset disposal strategy as part of its AMP. There is an example of existing assets that are planned for replacement without any consideration (so far) of alternative options (the Imhoff tank). A total value of \$1,000,000 in 2020 is allocated for the replacement of the tank, which currently has a zero book value (the asset was installed in 1969 and has a book life of 30 years). The Core AMP also notes that the condition of this asset is "very good", so the reasons for the proposed replacement in 2020 are not entirely clear. We note that there are very few assets which the Shire has to assess performance for. A maintenance manager has been appointed to plan and assess asset maintenance activities – focusing on the Shire's mechanical plant (e.g. roads equipment). The manager implements planned maintenance schedules. The sewer and recycled assets form part of his remit. Asset disposal is by tender in accordance with Shire policies. 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. In a context like Dalwallinu, familiarity with the asset and availability of replacements and support from local suppliers will be the predetermining factors in asset choice, taking precedence over a detailed search for the most efficient piece of equipment available internationally. The Long-Term Financial Plan clearly makes provision for asset replacement as per the asset register useful lives. This is a reasonable approximation for budgeting purposes, even if actual replacement should be justified on a case-by-case basis using a simple business case template. The previous review noted that under-utilised and under-performing assets should be identified as part of a regular systematic review process. <p>The condition of assets is regularly inspected as part of the annual maintenance program. Details of the inspection and any comments are recorded in the two Maintenance Registers, Pool Maintenance Book and Irrigation Maintenance Book. The site diaries (which are completed on site for each day of use) are stored at the Shire Administration Centre along with any site Audit Sheets that have been completed.</p> | |

| Description | Observations | Evidence (Include Contact) |
|--|--|---|
| | <p>Accordingly, the previous review further noted that the condition assessment should also be recorded in the Asset Register at least annually when reviewing the overall AMP.</p> <p>The Shire noted in its response that the Asset Register would be updated annually as part of the review of the AMP.</p> <p>The action was to be completed by the CSM in August 2012, and annually thereafter.</p> | |
| Environmental Analysis – Overall Rating: A2 | | |
| Environmental analysis <ul style="list-style-type: none"> Opportunities and threats in the system environment are assessed Performance standards (availability of service, capacity, continuity, emergency response, etc.) are measured and achieved Compliance with statutory and regulatory requirements Achievement of customer service levels | <ul style="list-style-type: none"> The Shire Sewer AMP does not have a specific section addressing environmental risk. The Core AMP does not either. Opportunities and threats to the environment are not specifically identified, except in the risk management plan. Environmental risks are not specifically addressed, only health risks. However, given sewerage overflows are considered a health risk, environmental risks are indirectly addressed. The Shire has not completed a risk assessment in its AMP, but does have a risk management plan where key risks are identified and responses outlined. We consider that a traditional risk assessment and evaluation process could be a useful exercise to include in the AMP (probability x consequence table) and it could include environmental as well as public health risks. The Risk Management Plan 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 reasonable understanding of its operating environment. Performance standards are defined in the AMP. However, as the Shire does not track all contact with customers, it may be difficult to determine if the standards are achieved. For example, for sewer chokes, only the date of the fault is noted rather than the time, and so it is hard to demonstrate that the one hour response target (<i>"within one hour, the customer will be advised of the nature and timing of the action to be undertaken by the Shire"</i>) was met. We note that all sewer faults were resolved on the day they were reported, so the ability to report to customers what the action will be is most likely redundant if crews systematically arrive on site immediately to resolve the problem. However, | <ul style="list-style-type: none"> Policies and procedures Planning reports Customer service Compliance reports Strategic plans (if appropriate) Correspondence with regulators regarding compliance, e.g. Department of Environment Regulation |

| Description | Observations | Evidence (Include Contact) |
|--|--|---|
| | <p>tracking customer contact in some (simple) way might be a useful way to ensure no service requests are overlooked.</p> <ul style="list-style-type: none"> ▪ The Shire has a compliance schedule as part of its Sewer AMP which lists key regulatory requirements and the dates these were met. ▪ The Shire has identified statutory and regulatory requirements in its AMP. However, it does not include all regulatory and licensing requirements (e.g. EPA licence, Recycled Water Quality Management Plan etc.). ▪ As mentioned previously, the previous target number of sewer blockages per km was not achieved in each full year of the audit period. However, this does not form part of the obligations under the current operating licence. ▪ The Shire confirmed that all properties adjacent to the network are charged the sewer service fee and are, therefore, able to connect to the network if they want to. ▪ The previous review noted that the AMP identified the following Acts and regulations while not identifying any specific requirements related to any of them <ul style="list-style-type: none"> – Local Government Act; – Environmental Protection Act; – Occupational Safety and Health Act; and – Occupational Safety and Health Regulations. <p>The previous review identified that the AMP section on Regulatory Requirements, which outlines the requirements of the operating licence for the sewerage services needed to be updated in line with the 2009 operating licence issued to the Shire of Dalwallinu by the Authority.</p> <p>The Shire noted in its response to the previous review that the AMP would be updated. The action was to be completed by the CSM in December 2012.</p> | |
| Asset Operations – Overall Rating: A1 | | |
| Asset operations <ul style="list-style-type: none"> ▪ Operational policies and procedures are documented and linked to service levels required | <ul style="list-style-type: none"> ▪ The Shire has developed an operations and maintenance manual which was reviewed during the asset management system review. This covers the main assets for both the sewerage and recycled water schemes. ▪ The assets do not appear to be all listed in detail in an asset register, although mechanical assets are listed with condition | <ul style="list-style-type: none"> ▪ Asset information system ▪ SCADA ▪ Asset register ▪ Operations procedures ▪ Operational costs |

| Description | Observations | Evidence (Include Contact) |
|---|---|---|
| <ul style="list-style-type: none"> ▪ Risk management is applied to prioritise operations tasks ▪ Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data ▪ Operational costs are measured and monitored ▪ Staff resources are adequate and staff receive training commensurate with their responsibilities | <p>and installation date in the operations manual. Underground assets appear to be listed as a single item in the council asset register, they are not separately listed in a digital or geospatial database. Given the familiarity staff have with assets and the very small network, the cost of digitising the asset base for the purpose of recording asset performance information in order to determine risk to prioritise operational tasks may not be justified by the benefits. Given the small asset base and the relatively simplicity of the treatment system, the capability of the licensee in regard to managing operational risks would not be expected to be affected by any changes in staff.</p> <ul style="list-style-type: none"> ▪ The asset base is sufficiently small that staff could quickly become familiar with the performance and condition through the weekly inspections and through operating the assets. ▪ The Shire has an asset register as part of its wider financial systems. This includes asset valuation and depreciation schedules, although we note that sewerage assets appear to have a zero value and generate zero depreciation. ▪ There are no digital plans of the sewer assets, however these exist in hard copy drawings and are available to the public. These documents are adequate for the rare occasions that the Shire staff or third parties need to access underground assets. ▪ The Shire uses the Synergysoft finance system. This includes a cost centre for the water service (LSEW1). Materials and plant are costed to this cost centre. Staff time is apportioned to this cost centre based on pre-determined ratios which is appropriate. This allows robust recording and tracking of costs for the service. ▪ Synergy is also used by staff to monitor expenditure against budget and make adjustments accordingly. ▪ When sewer system fault is responded to, it is recorded in the "Faults Register". ▪ Costs do not yet appear to be recorded against individual assets or asset classes, however overall sewer service costs are accurately captured. ▪ The Shire has implemented activity based costing – staff allocate their time to job codes –e.g. Sewage treatment plant. Sub codes salary wages, materials, power, water, etc. ▪ The Shire has a training matrix for its staff although it needs to be updated. The Matrix is current up until 2012. The Shire does know which staff have which qualifications. | <ul style="list-style-type: none"> ▪ Daily / weekly / monthly checksheets ▪ Staff skills / resourcing structure |

| Description | Observations | Evidence (Include Contact) |
|---|--|--|
| | <ul style="list-style-type: none"> The previous review noted some inaccuracies in the contact details listed in the Wastewater Operation and Maintenance Manual for people involved in the scheme. The Shire noted in its response that the AMP would be updated. The action was to be completed by the Administration Officer in July 2012. | |
| Asset Maintenance – Overall Rating: A1 | | |
| Asset maintenance <ul style="list-style-type: none"> Maintenance policies and procedures are documented and linked to service levels required Regular inspections are undertaken of asset performance and condition Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule Failures are analysed and operational / maintenance plans adjusted where necessary Risk management is applied to prioritise maintenance tasks Maintenance costs are measured and monitored | <ul style="list-style-type: none"> The Sewer service AMP contains a complete preventative maintenance schedule. However, as there is no job dispatching system or ticketing system, and no asset based costing, demonstrating that maintenance has been completed is problematic. Defects reports are used after reactive jobs are completed. Although there does not appear to be any records for routine maintenance, the Shire can track materials (e.g. spares, consumables) consumption over time. Council has a maintenance system for their larger assets (e.g. vehicles etc.). This is asset-based. There is a plant mechanic who organises all of the routine and planned maintenance (including the sewer asset). There is a planned maintenance schedule as part of the Sewer AMP, although in the absence of asset based records it was not possible to check to what extent this is adhered to. Planned maintenance (e.g. the weekly sewer inspections) forms part of routine staff activities. The defects reports allow analysis of failure modes and the updating of the preventative maintenance schedule (e.g. locations for inspections). The Shire has implemented activity based costing and staff allocate their time to job codes, e.g. Sewage treatment plant and sub codes such as salary wages, materials, power, water, etc. | <ul style="list-style-type: none"> Asset information system Maintenance procedures and schedules Record of maintenance Maintenance costs |
| Asset Management Information System – Overall Rating: A1 | | |
| <ul style="list-style-type: none"> Adequate system documentation for users and IT operators Input controls include appropriate verification and validation of data entered into the system | <ul style="list-style-type: none"> Network maps are hard copies. The Shire operates a proprietary finance system call Synergy which also does document management. The asset management system is stored on a network drive Access governed by standard IT access The controls relating to access to the asset management system are considered to be fit for purpose | <ul style="list-style-type: none"> Asset Management Information system AMIS manual AMIS data coverage and quality report Asset reports |

| Description | Observations | Evidence (Include Contact) |
|---|--|--|
| <ul style="list-style-type: none"> Logical security access controls appear adequate, such as passwords Physical security access controls appear adequate Data backup procedures appear adequate and backups are tested Key computations related to licensee performance reporting are materially accurate Management reports appear adequate for the licensee to monitor licence obligations | <ul style="list-style-type: none"> There is no formal digital asset management system, however the asset register is contained within the finance system (which is digital). For an organisation the size of Dalwallinu, using the finance system to store asset details and to book costs against activities is entirely appropriate. The benefits of a separate stand-alone asset management information system would not be justified by the considerable costs. Combining the AMIS with the finance and document management system is appropriate and prudent. Synergy manages user rights and access. The Shire offices are physically secure. Data back-up is undertaken regularly. Key reported figures are calculated manually from the sewer defects report. We confirmed these figures were corrected reported based on the sewer defects register. The Shire reports performance on an annual basis. The Shire has a compliance report which assists in the meeting of license obligations (in particular reporting milestones). | |
| Risk Management – Overall Rating: B3 | | |
| <ul style="list-style-type: none"> Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system Risks are documented in a risk register and treatment plans are actioned and monitored The probability and consequence of risk failure are regularly assessed | <ul style="list-style-type: none"> The Shire does not have a real standard risk assessment, with the exception of part of the contingency plan which identifies key risks and responses. While these risks and responses are appropriate and cover most of the risks the Shire sewer service is likely to face, it would be useful to carry out a more standard risk assessment in accordance with the recommendations of the Core AMP. Recommendation 5 of the Core AMP is “<i>That the Shire of Dalwallinu develops a Risk Management Framework and a Risk Management Plan.</i>” This is a moderate process deficiency which the Shire is currently in the process of rectifying. The Shire has a Risk Management Plan which is updated regularly and would normally be the outcome of a risk management framework / process. However the framework and process itself needs to be better developed. | <ul style="list-style-type: none"> Corporate Risk management framework Risk assessment |
| Contingency Planning – Overall Rating: A2 | | |

| Description | Observations | Evidence (Include Contact) |
|--|--|---|
| <ul style="list-style-type: none"> Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks | <ul style="list-style-type: none"> The Shire has developed a Risk Management Plan as part of its Asset Management Plan and which is effectively a contingency plans for each of the high risk item identified in the risk assessment. These contingency plans are for: <ul style="list-style-type: none"> Power outage Mains Burst or blockage Chlorine Spill The contingency plans are available on the Shire's network drive as part of the Asset Management Plan. We reviewed a sample of the contingency plans and found them to be satisfactory for the risks identified. However, a risk brainstorming exercise would be valuable to further develop less obvious asset related risks. An example of a potential risk given the use of lagoons is fencing (a breach in fencing may allow children to access the ponds or works). Another risk (given the need to buy in chlorine gas) is a vehicle accident incurred by the chlorine delivery truck which results in a broken bottle. These are relatively low probability incidents but might help contribute to more comprehensive contingency planning or risk mitigation. The previous review noted that there was no evidence of the Shire's emergency procedures being tested to ensure that the appropriate persons were aware of their responsibilities in the case of emergency. <p>The Shire noted in its response that a desktop exercise would be held in the year of publication of the previous audit, in line with the auditor's recommendations, and recorded.</p> <p>The action was to be completed by the Management Team in December 2012. However, we did not see minutes / notes of a desktop testing of the contingency plan. As a result, continuing recommendation (refer to R22/42015) is included in our recommendations from this asset management system review.</p> | <ul style="list-style-type: none"> Contingency plans |
| Financial Planning – Overall Rating: A2 | | |
| <ul style="list-style-type: none"> The financial plan states the financial objectives and strategies and actions to achieve the objectives | <ul style="list-style-type: none"> The financial planning is subject to whole of Shire budgeting We reviewed the Shire's Long-Term Financial Plan (10yr financial plan) which covers the period until 2025. | <ul style="list-style-type: none"> Asset Management Plan Long-Term Financial Plan O&M Budgets in Synergy |

| Description | Observations | Evidence (Include Contact) |
|---|--|----------------------------|
| <ul style="list-style-type: none"> The financial plan identifies the source of funds for capital expenditure and recurrent costs The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets) The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services Significant variances in actual / budget income and expenses are identified and corrective action taken where necessary | <ul style="list-style-type: none"> The LTFP which we reviewed only includes the financial statements and did not state the financial strategies and actions to achieve the objectives. The Sewer AMP did note a financial objective to fund asset replacements with 50% debt, 50% cash from reserves. This strategy is followed in the LTFP which shows \$430,000 being raised from debt in the year the Imhoff tank is replaced. This includes financial statement projections (income statement, cash flow, balance sheet). It also covers revenue, interest, O&M and capital expenditure as well as tracking the reserve fund balance Capital expenditure is discussed further in the next section of this table. The Sewer AMP model shows that on current projections, the service is financially sustainable. The LTFP identified sources of revenue and capital as it projects income statements and balance sheets forward for 10 years. Revenues and expenses are identified by nature and type, as well as by program. The Shire LTFP covers a 10 year period for revenue and expenses. Sewer assets in the LTFP are valued at \$0 in 2014/15, despite having good condition ratings in the Sewer AMP. The Shire LTFP shows a net income, however this is dependent on an annual transport subsidy from the State Government. There is no separate line item for sewerage revenue and expenses in the LTFP, however the asset management plan does contain projections. The AMP shows a net income being transferred to a capital maintenance / replacement reserve. The AMP states that "<i>A Reserve Fund has been established to meet major capital upgrades / replacement of key infrastructure. The reserve is targeted to meet 50% of costs associated with the replacement of the Imhoff Tank and or major replacement of sewer drains. The balance to be funded by Loan funds.</i>" We observed during our review that the financial information included in the LTFP and the Sewer AMP are inconsistent. An example of this inconsistency is that the forecast capital expenditure for 2015/16 is \$15,503 in the Sewer AMP | |

| Description | Observations | Evidence (Include Contact) |
|---|--|---|
| | <p>compared to \$138,375 in the Long-Term Financial Plan for the same period.</p> <ul style="list-style-type: none"> The Shire O&M budget is in Synergy and is reviewed each year following Actual outturn costs. The previous review of the asset management system noted that the financial plan in the AMP had not been updated since 2006/07. There was a separate Financial Plan (spreadsheet) with actuals for 2007/08 and forecast costs for the next 10 years. However, the operational, maintenance and capital costs were likely to be out-of-date. <p>The Shire noted in its response to this observation that all financial assets were, at the time of the previous review, being reviewed. It further noted that the review included the sewerage scheme, and that the AMP would be updated as soon as the review was completed as per the auditor's recommendations. The action was to be completed by the DCEO in August 2012.</p> | |
| Capital Expenditure Planning – Overall Rating: A2 | | |
| <ul style="list-style-type: none"> There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates The plan provides reasons for capital expenditure and timing of expenditure The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned | <ul style="list-style-type: none"> The Sewer AMP contains a capex forecast, however this appears to have been last updated in 2006 and only extends to 2015/16. The Sewer AMP capex forecast is inconsistent with the Long-Term Financial Plan. The Shire has developed a capital renewal model based on asset expected useful life (only). This results in the projected replacement of the Imhoff tank in 2020 despite the tank having a condition rating of 1 and capacity of 1,250 persons (well above the population). The Sewer AMP capex plan provides reasons and timing for expenditure. The capex plan is consistent with the asset life but not necessarily with the condition as identified in the AMP. The capex plan does not appear to have been updated recently, with the forecast in the AMP last updated in 2006. We recommend that the licensee updates the capex plan as part of an overall update of the AMP (refer to R32/2015) in the table of recommendation included in Section 6.2. The previous review noted that the Capital Expenditure Plan over the life of the scheme had not been updated, in a similar fashion to the observation noted for the financial planning | <ul style="list-style-type: none"> Spreadsheets for capital planning and prioritisation Capital expenditure planning process outline Value engineering documents Risk management applied to investment planning Program management documents Review of capex estimate v outturn |

| Description | Observations | Evidence (Include Contact) |
|---|---|---|
| | <p>component of the asset management system.</p> <p>As for the financial planning component of the asset management system, the Shire noted in its response that all financial assets were, at the time of the previous review, being reviewed. It further noted that the review included the sewerage scheme, and that the AMP would be updated as soon as the review was completed as per the previous auditor's recommendations. The action was to be completed by the DCEO in August 2012.</p> <p>However, the financial plan in the AMP appears not to have changed. Although the Shire has a long-term financial plan which has different figures from the financial plan in the AMP.</p> <p>We recommend that the two sets of financial information be reconciled and the AMP figures harmonized with the long term financial plan. We have included this action as recommendation R253/2015 in Section 6.2.</p> | |
| Review of Asset Management System – Overall Rating: A2 | | |
| <ul style="list-style-type: none"> A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current Independent reviews (e.g., internal audit) are performed of the asset management system | <ul style="list-style-type: none"> The previous review noted that while the cover page of the AMP stated that the document was created in 1998 and updated in 2009, much of the content had not been updated and the AMP did not contain any provision for the frequency of and procedures for the review and update of the AMP. <p>The Shire noted in its response that the review of the AMP would be conducted annually and the AMP updated accordingly – as per the auditor's recommendations. It further noted that all AMP reviews would be documented as per the auditor's recommendation.</p> | <ul style="list-style-type: none"> Asset Management Plan |

6 Recommendations

6.1 Performance Audit

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

| A. Resolved during current audit period | | | |
|--|---|--|--|
| Manual Ref. | Non-Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non-Compliance or inadequacy of controls) | Date Resolved (& management action taken) | Auditor's Comments |
| | | | |
| B. Unresolved at end of current Audit period | | | |
| Reference (no./year) | Non-Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non-Compliance or inadequacy of controls) | Auditor's recommendation | Management action taken by end of Audit Period |
| A1/2015 | B2 <i>Water Services Licensing Act 1995, Clause 20.1</i> | No action required as the obligation is no longer required under the current licence. | |
| | During 2011/12 and 2012/13, the licensee failed to comply with its licence requirement target of fewer than 40 blockages per 100km of sewer main. | The performance in 2011/12 was 183.6 blockages per 100km of sewer main. In 2012/13 the licensee experienced 122.4 blockages per 100km of sewer main. The licensee has missed the performance target for sewer blockages largely on account of the scheme only having 4.9km of sewer mains. In order to meet the target that was established under the old licence conditions, the licensee needed to experience less than two sewer blockages in any year. Although the new licence, which made this obligation redundant, came into force in November 2013, the licensee's performance for the full 2013/14 year was 346.9 blockages per 100km of sewer main | |
| A2/2015 | NP 2 Water Services Operating License 2009, Schedule 3 (Clause 2.5) | We consider this a minor non-compliance but note that this obligation is no longer in effect. | |

B. Unresolved at end of current Audit period

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.

| | | | |
|---------|--|--|--|
| A3/2015 | B2 Water Services Operating License 2013 (Clause 5.1) | <ul style="list-style-type: none"> DoH identified "areas that require attention" that the licensee is addressing with regards to the recycled water scheme. The licensee was unable to confirm whether a licence has been obtained from DER. | <ul style="list-style-type: none"> We recommend that the licensee continues to complete the list of improvements identified by DoH in order for its recycled water scheme to fulfill the criteria for it to gain approval from the health regulator. In addition, the licensee should complete its Recycled Water Quality Management Plan (RWQMP) by June 2016 in accordance with the DoH requirements. We recommend that the Shire confirms that a licence for the treatment plant has been obtained from the DER and that the DER improvements have been implemented. |
| | A2 Water Services Operating License 2013 (Clause 16) | <p>The licensee was late for the provision of the 2012-13 and 2013-14 performance report.</p> | <p>We recommend that the licensee ensure that its performance reports are submitted to the Authority by the due dates.</p> <p>The Shire expects that this issue should now be resolved as part of its Compliance Schedule and Corporate Calendar.</p> |
| A5/2015 | A2 Water Services Operating License 2013 (Clause 20) | <p>The asset management manual was last updated in 2012 despite a previous recommendation that it be updated annually.</p> | <p>We consider this to be a minor non-compliance. We recommend that the current asset management manual is updated by 30 June 2015 and then reviewed and updated annually by the end of each financial year.</p> |
| A6/2015 | B2 Water Services Operating License 2013 (Clause 26) | <p>We have noted some non-compliances with the requirements of the Code of Conduct as summarised under Obligation 11.</p> | <p>As per reference A8/2015 through A15/2015</p> |

B. Unresolved at end of current Audit period

| | | |
|----------|---|---|
| A7/2015 | <p>B2</p> <p>Water Services Act 2012, Section 12 (Clause 5.3)</p> <p>The licensee has not complied with all requirements of the Code of Conduct, specifically:</p> <ul style="list-style-type: none"> – Clause 7 – Information about connections (Obligation 92) – Clause 18(2) (3) (4) (6) – Procedure for review of bills (Obligation 114) – Clause 21(1) – Payment methods (Obligation 119) – no direct debit available. – Clause 35(1 - 6) – Complaints procedure (Obligations 145 and 146). No formal complaints procedure exists. – Clause 37(1) – Information to be publically available (obligation 153) | As per reference A8/2015 through A15/2015 |
| | | |
| A8/2015 | <p>B2</p> <p>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 18(2)</p> <p>The licensee does not have a written procedure for review of a bill.</p> | Prepare a written procedure for review of a bill consistent with the requirements of the Code, Compliance Manual 2014 Obligations 114 to 116. |
| A9/2015 | <p>B2</p> <p>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 18(3) & (6)</p> <p>The licensee does not have a written procedure.</p> | As per reference A8/2015. |
| A10/2015 | <p>B2</p> <p>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 18(4)</p> <p>The licensee does not have a written procedure.</p> | As per reference A8/2015. |
| A11/2015 | <p>A2</p> <p>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 21(1)</p> | We recommend that the licensee develops protocols to allow customers to be able to pay using direct debit in order to comply with this obligation. We also recommend that the licensee advertises direct debit and Centrepay on its bills to inform |

B. Unresolved at end of current Audit period

| | | |
|----------|--|---|
| | The Licensee accepts payments by all the prescribed methods except direct debit or Centrepay | customers that they can pay a bill using these prescribed methods. |
| A12/2015 | <p>B2 Water Services Code of Conduct (Customer Service Standards) 2013, Clause 29</p> <p>The Licensee cannot demonstrate that debt collection is definitively stopped when a payment plan is entered into.</p> | We recommend that the licensee implements a system to ensure that the credit path to debt collectors and the bailiff is stopped when a payment plan is entered into (e.g. check boxes on payment plan template which are filled in and signed-off by the officer arranging payment plan). |
| A13/2015 | <p>A2 Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(1)</p> <p>The complaints procedure is not fully documented</p> | We recommend that the licensee develops a complaints procedure to meet the requirements of Clauses 35(1). |
| A14/2015 | <p>B2 Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(2)</p> <p>The licensee does not have in place a procedure and defined responsibilities for responding to and resolving complaints.</p> | We recommend that the licensee develops a complaints procedure to reflect the relevant provision of AS ISO 10002. |
| A15/2015 | <p>A2 Water Services Code of Conduct (Customer Service Standards) 2013, Clause 37(1)</p> <p>The licensee does not make reference to large-print services in publically available information.</p> | We recommend that the licensee amends its Financial Hardship Policy to make reference to large-print services being available if required by the customer. The licensee should also add this information to its website. |

6.2 Asset Management System Review

Table 6-2 Table of Current Review Asset System Deficiencies/Recommendations
A. Resolved during current audit period

| Ref. | Asset System Deficiency (Rating / Asset Management System Component & Effectiveness Criteria / Details of Asset System Deficiency) | Date Resolved (& management action taken) | Auditor's Comments |
|------|---|---|--------------------|
|------|---|---|--------------------|

B. Unresolved at end of current Audit period

| Reference (no./year) | Asset System Deficiency (Rating / Asset Management System Component & Effectiveness Criteria / Details of Asset System Deficiency) | Auditor's recommendation | Management action taken by end of Audit Period |
|-------------------------|---|---|--|
| R1/2015 | A2 Asset planning - Asset management plan covers key requirements | The <i>Water Services Act 2012</i> c and the relevant guidelines for recycled water should be referred to in the regulatory requirements section of the AMP. | |
| R2/2015 | B2 Asset planning - Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning | Stakeholder consultation for the sewerage and non-potable water services should be documented in the AMPs. | |
| R3/2015 | A2 Asset planning - Service levels are defined | Non-potable water service levels should be developed. Even though the Shire is the only customer, a target "internal" service level could be defined as something which stakeholders are prepare to pay for through their rates. | |
| R4/2015 | A2 Asset planning - Non-asset options (e.g. demand management) are considered | Include demand projections in core asset management plan – as recommended in the Core AMP, | |
| R5/2015 | A2 Asset planning - Lifecycle costs of owning and operating assets are assessed | We recommend that the licensee develops a renewals annuity in order to confirm the long-term sustainability of the service. | |
| R6/2015 | A2 Asset planning - Costs are justified and cost drivers identified | We recommend that the Shire considers adopting the drivers of renewals, growth and compliance to complement its existing drivers. | |
| R7/2015 | A2 Asset planning - Likelihood and consequences of asset failure | As per the recommendations of the Core AMP, we recommend that a more standard "probability / consequence" analysis should be drawn up, | |
| R8/2015 | A2 Asset creation/acquisition - Full project evaluations are undertaken for new assets | The Shire should develop an asset replacement and renewal strategy. This could simply detail the conditions under which an asset will be considered for replacement, and the approach to sourcing a replacement option (including non-build options). | |

B. Unresolved at end of current Audit period

| | | |
|----------|--|--|
| R9/2015 | B2 Asset creation/acquisition - Evaluations include all life-cycle costs | <p>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:</p> <ul style="list-style-type: none"> ▪ need for the expenditure ▪ driver ▪ options considered and cost assessment ▪ description of preferred option ▪ procurement process ▪ timing for expenditure, etc. |
| R10/2015 | A2 Asset creation/acquisition - Projects reflect sound engineering and business decisions | The inconsistencies with the LTFP should be addressed and any projected expenditure in the LTFP (e.g. 75,000 in 2014/15, \$138k in 2015/16) should be justified with a brief business case. |
| R11/2015 | A2 Asset disposal - Under-utilised and under-performing assets are identified as part of a regular systematic review process | The asset investment business case template should be adapted to also make the case for asset disposal and replacement when developing asset options. |
| R12/2015 | A2 Asset disposal - Under-utilised and under-performing assets are identified as part of a regular systematic review process | <p>We are not certain at what point the asset condition was last updated as the asset condition does not form part of the digital asset register. Instead the asset condition is stored in the Sewer Asset Management Plan.</p> <p>We recommend that the licensee includes the date of the condition rating beside the actual rating in the document as a way of demonstrating when the asset was last inspected.</p> |
| R13/2015 | A2 Asset disposal - The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertake | The Imhoff tank replacement should be re-evaluated closer to the time that it has been forecast to be required and a full business case developed. |
| R14/2015 | A2 Asset disposal - There is a replacement strategy for assets | Instead of replacing strictly on a like-for-like basis, we recommend that the licensee considers evaluating alternative options that may be more optimal. |
| R15/2015 | B2 Environmental analysis - Opportunities and threats in the system environment are assessed | A minor improvement recommendation is for the licensee to consider environmental risks as well as public health risks (where these are different). |

B. Unresolved at end of current Audit period

| | | |
|----------|---|---|
| R16/2015 | A2 Environmental analysis - Performance standards (availability of service, capacity, continuity, emergency response, etc.) are measured and achieved | We recommend that the licensee records the time of a reported fault and the rectification time in order to demonstrate the emergency response. |
| R17/2015 | A2 Environmental analysis - Compliance with statutory and regulatory requirements | We recommend that the AMP be updated to reflect the regulatory obligations under the 2013 operating license. |
| R18/2015 | A2 Environmental analysis - Compliance with statutory and regulatory requirements | We recommend that the Shire prepare a compliance register based on the Authority's Compliance Report Manual to assist in keeping track of its statutory and regulatory obligations. The observations table in this audit report may be used as the basis for this. |
| R19/2015 | A2 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 confirms an appropriate value for the sewer assets in the accounting system and Long Term Financial Plan Minor improvements that have been identified are that the asset information which exists in the Sewer AMP could usefully be extended to include the underground (network) assets, and above ground assets could be located on a map. |
| R20/2015 | A2 Asset maintenance - Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule - | We recommend that the licensee keeps records of maintenance in order to demonstrate the theoretical AMP document is actually used / applied. |
| R21/2015 | B3 Risk management - Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system | At the present time, the Shire does not have a real standard risk assessment, except as part of the contingency plan which does identify key risks and responses. While these risks and responses are appropriate and cover most of the risks the Shire sewer service is likely to face, we recommend that the licensee completes a more standard risk assessment in accordance with the recommendations of the Core AMP. This process would be expected to start with the licensee developing a risk matrix and brainstorming some risks / probabilities and consequences, along with mitigation actions. |

B. Unresolved at end of current Audit period

| | | |
|----------|---|--|
| R22/2015 | B3 Risk management - Risks are documented in a risk register and treatment plans are actioned and monitored | The Shire should develop a risk management framework and a risk management plan. |
| R23/2015 | B2 Risk management - The probability and consequence of risk failure are regularly assessed | The licensee should develop a framework and/or process for completing and updating a risk management plan. |
| R24/2015 | A2 Contingency planning - Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks | As above – Development of a standard risk management framework / register / assessment. We recommend that contingency plans should be tested and minutes / notes kept of the testing exercise. |
| R25/2015 | A2 Financial planning - The financial plan states the financial objectives and strategies and actions to achieve the objectives | We recommend that the licensee harmonises the LTFP and the Sewer AMP. The financial objectives and the means of achieving them should be recorded in the plan. |
| R26/2015 | A2 Financial planning - The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets) | We recommend that the licensee confirms the sewer asset values and updates the balance sheet as appropriate. |
| R27/2015 | B2 Financial planning - The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period | We recommend that the licensee harmonises the LTFP and the Sewer AMP. |
| R28/2015 | B2 Financial planning - The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services | We recommend that the licensee harmonises the LTFP and the Sewer AMP. |
| R29/2015 | B2 Capital expenditure planning - There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates | We recommend that the capex information included in the Sewer AMP and the Long Term Financial Plan are made consistent with each other. We recommend that the condition rating be taken into account when projecting replacements (business case template to be developed). |
| R30/2015 | A2 Capital expenditure planning - The capital expenditure plan is consistent with the asset life and | The capex plan is consistent with the asset life but not necessarily with the condition as identified in the AMP. We recommend that the licensee reviews its capex plan to take into the condition of |

B. Unresolved at end of current Audit period

| | | |
|----------|--|---|
| | condition identified in the asset management plan | the assets identified in the AMP and updates its forecast accordingly. |
| R31/2015 | B2 Capital expenditure planning - There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned | We recommend that the capex planning included in the Sewer AMP is synchronised with the wider council long-term financial planning in order to ensure consistency between the documents. |
| R32/2015 | A2 Review of the asset management system - A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current | We observed that not every section of the AMP was updated in 2012 (e.g. condition assessment, financial planning information). Therefore, we recommend that the licensee completes a review and update of the entire document to bring it up to date. |
| R33/2015 | A2 Review of the asset management system - A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current | We recommend that the licensee expands its compliance checklist to include all items that need regular reviews and checks for regulatory purposes (i.e. a comprehensive checklist). |
| R34/2015 | B2 Review of the asset management system - Independent reviews (e.g., internal audit) are performed of the asset management system | <p>We recommend that the licensee develops an approach to ensure internal reviews. The simplest method would be to develop a simple checklist for the Asset Management System which is completed by someone who is not directly responsible for maintaining the AMS (e.g. the CEO or DCEO).</p> <p>The checklist should include the items from the ERA 2014 Audit and Review Guidelines (i.e. the list used for this audit).</p> <p>Hard copies of the completed checklist should be signed and kept in the ERA file.</p> |

7 Confirmation of the Audit/Review

I confirm that the audit/review carried out at the Shire of Dalwallinu on 21 and 22 January 2015 and recorded in this report is an accurate presentation of our findings and opinions.

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

27 May 2015

Shire of Dalwallinu

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. | Willful 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 Dalwallinu

APPENDIX B

ASSET
MANAGEMENT
PERFORMANCE
RATING
DEFINITIONS



Compliance Assessment Rating Scale

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

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

Asset Management Review Rating Scales

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

Asset Management Adequacy Ratings

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

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

Asset Management Performance Ratings

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