

Operational Audit and Asset Management System Review

Shire of Moora

3604-70

Prepared for
Economic Regulation Authority of Western
Australia

15 May 2015



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Executive Summary

General

The Shire of Moora holds a water services operating licence (WL23) 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 Moora. 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 17km vitreous clay gravity and rising main reticulation sewers with seven pumping stations for a resident population of 1800 persons around 175km north of Perth consisting of around 500 domestic and 100 commercial and industrial connections in the town site, together with wastes from septic tank “pump-outs”. The pumping stations discharge to a Wastewater Treatment Plant (WWTP) incorporating primary and secondary oxidation ponds, followed by two polishing lagoons. The annual sewage flow to the WWTP is approximately 72,000 kL. Treated effluent from the second polishing lagoon is pumped to a large storage dam in the town site from which it is chlorinated and pumped to storage tanks and irrigated on the town oval and Apex Park and sports / recreation grounds during summer dry months. During winter, the effluent is retained in the storage dam.

There have been no significant changes to the assets since the last audit. The Authority has issued a new licence (WL23, Version 3) consistent with the Water Services Act 2012.

Audit and Review Objectives

Cardno was commissioned by the ERA to undertake an operational audit and asset management system review of the Shire of Moora in accordance with the requirements set out in Sections 24 and 25 of the Water Services Act 2012 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 Moora's level of compliance with the conditions of its operating licence.
2. The effectiveness of the Shire of Moora's asset management system.

This report outlines the findings of the audit and review of the Shire of Moora to fulfil the above objectives, conducted on 14 and 15 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 June 2013 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 requirement to have fewer than 40 blockages per 100km of sewer main per year in the 2009/10 and 2010/11 (and possibly in 2008/09 as the report could not be located)
2. Not providing the 2009/10 performance and compliance reports to the Authority within the required timeframes and omitting these items as non-compliances in the subsequent compliance report. Also, the Shire was unable to locate the reports for 2008/09.

Findings of the Current Operational Audit

Issues identified during the current audit:

Water Services Licensing Act 1995

1. 01/2015 - Customer Service Charter not available to its customers in the three ways prescribed in the Act.
2. 02/2015- Licensee has not provided one of the other two consultation mechanisms identified in Clause 4.1(b) of the Act.
3. 03/2015 - Licensee had not established a Customer Council or institute at least two of the following: establish a regular meeting; publish a newsletter or run other public forums, concerning the licensed activities.
4. 04/2015, 20/2015 - Licensee has not complied with all applicable legislation.

Water Services Act 2012

5. 05/2015 - Licensee has not complied with all of the obligations of the Water Services Code of Conduct (Customer Service Standards) 2013
6. 06/2015 - The licensee does not provide required notification of and requirements as to building work within 7 days of receiving the fee for dealing with the notification.

Water Services Code of Conduct (Customer Service Standards) 2013

7. 07/2015 - Licensee did not have all of the written information for customers about the specified matters under Section 21, section 21(2)(c) or (3)(c) and section 73 of the Act.
8. 08/2015, 09/2015 and 10/2015- Licensee does not have a formal written procedure for the review of a bill on the customer's request.
9. 11/2015 - The licensee does not have direct debit payment method to allow a customer to pay a bill.
10. 12/2015 - The Licensee's complaints procedure is not fully documented
11. 13/2015, 14/2015, 15/2015, 16/2015 - Licensee's complaints procedure does not meet the requirements of AS ISO 10002 and Clause 35 of the Water Services Code of Conduct
12. 17/2015 - The licensee does not make all of the prescribed (Clause 37(1) of the Code) information publicly available

Water Services Act 2012 (Licence Conditions)

13. 18/2015 - The licensee did not provide a compliance report to the Authority for 2012/13 reporting period.
14. 19/2015 - The licensee's notification to the Authority of a material change to the asset management system was longer than the prescribed 10 days

Summary opinion of the control environment

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

Operational audit - Overall compliance

The overall compliance of the Shire of Moora with its licence is summarised in Section 4.2 of this report. 19 of the 174 items assessed were rated as non-compliant. All other items were assessed as compliant, not applicable or not able to be rated.

Asset Management System Review

Findings of the previous Asset Management System Review

The asset management system review assessed the performance of the Shire of Moora 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. A forecast of future demand should be prepared and in conjunction with an assessment of asset condition, used to program ongoing works and relevant financial plans.
2. Review and document the necessity for and the proposed method of de-sludging Pond No.1 at the WWTP. The Shire's documented acquisition procedure should be followed for all intended acquisitions, including assessing the need for de-sludging, the treatment lagoons.
3. Ensure that the SWOT and Risk Analysis are reviewed and upgraded and that the requirement to report to ERA is included
4. The Shire should develop detailed operation plans for the collection, treatment chlorination and effluent disposal systems. These plans should be included in its proposed new Asset Management Plan, together with a formal training program for its future operators. It is noted that work on these documents has commenced. Draft documentation was inspected by the reviewer. The documentation should be completed as soon as possible in anticipation its inclusion in the proposed new Asset Management Plan.
5. The Shire should continue to develop the maintenance procedures, schedule and supplier information with a view to completing the proposed new AMP prior to Water Corporations expected withdrawal of its services
6. The Shire should develop a computer based asset management information system from the software it has acquired. In view of the necessity for the Shire to assume the operation and maintenance of the sewerage system after December 2013, it is essential that this proceed promptly.
7. The range of risks, the attendant consequences and controls should be reviewed and amended as appropriate.
8. The Risk Register should specify the minimum period and other change of condition requiring a review of risks
9. The effectiveness of the sewerage reserve fund as a control measure should be reviewed and the makeup of the stated 48 hours flow storage should be determined and its relevance as a control reviewed.
10. Review and re-write the emergency plans as Contingency plans to:
 - a. Expand the list of contingencies likely to occur.
 - b. Provide more detail of the actions to be undertaken and the procedural details for their implementation
 - c. Expand the list of authority and contractor contacts together with their role and contact details
 - d. Include a requirement for the contingency plans to be periodically tested and provision for recording those involved in such tests, the date, outcome of the tests, amendments made and any action taken.
11. Update the Income / Expenditure plans to:

- a. Reflect the current year and ten years hence.
 - b. Include the result of a review of the useful life expectancy of the assets and the 2013/14 replacement value of the assets - with a view to setting a more appropriate annual value of funds held in the sewerage reserve and the annual contributions.
 - c. Include annual contributions to the sewerage reserve fund and review the reasons why some years have no allowance for contributions to the fund.
 - d. Clarify the discrepancy between the allowances for transfer to sewerage reserve between the ten year plan in the AMP and the 2013/14 budget.
 - e. Amend the annual transfer to reserve amounts if deemed necessary following the useful life review in the second dot point above.
12. Re-visit the proposed plans and allowances to replace vc pipes in conjunction with further consideration of the useful life of assets as discussed in Item 11 – Financial Planning
 13. Update the expenditure plan in terms of time and content.
 14. Determine whether or not the No.1 pond at the WWTP requires de-sludging.
 15. Consult Health Department on the possibility of by-passing Pond No.1 to allow de-sludging if proved necessary.
 16. Conduct an assessment of the condition of the VC collection system and manholes. Consider a total or staged partial cctv program.
 17. Provide a detailed breakdown of the expenditure proposed to allow the \$200,000 allowances for replacement of VC pipes to be verified or amended

Findings of the Current Asset Management System Review

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

Reference (no./year)	Asset Management System Component	Issue	Reviewer's recommendation
21/2015	B2 Environmental Analysis	<i>Asset Management Plan has some out dated references</i>	We recommend that the asset management plan be updated to reflect the requirements of the new operating licence version and the new legislative framework.
22/2015	B2 Environmental Analysis	<i>The operational audit has found that the Shire has not complied with all of its regulatory requirements.</i>	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.
23/2015	B2 Risk Management	Areas of the risk assessment are out of date.	The risk assessment would benefit from a review to confirm its currency and alignment with existing operating practices.
24/2015	B2 Contingency planning	<i>Some contingency plans have been tested but a long term testing program and record is needed.</i>	We recommend that the Shire prepares a matrix which summarises when each contingency plan was last tested and evaluated and uses this to schedule future testing.

Assessment of the effectiveness of the asset management system

The licensee has made significant effort to improve its asset management practices since the last review. Based on the outcomes of this review, we found that the asset management processes and measures have been implemented and are generally being followed. However, the system as a whole is still maturing and it will take a number of years before the processes are fully embedded.

We consider that the asset management system is generally operating satisfactorily with the majority of processes implemented. A number of opportunities for improvement have been identified. More generally, the system will benefit from continual improvement as the processes are tested.

The Authority issued a Notice under section 39(1) of the Water Services Licensing Act 1995 to the licensee for deficiencies in its asset management system. These deficiencies were reviewed in 201 by Barry Robbins Engineering & Project Management, report dated 14 February 2014. During this review, we have reviewed the licensee's response to the requirements of the Section 39 Notice and we found that all recommendations have been resolved.

Asset Management System Review - Overall Effectiveness

A summary of our assessment of the effectiveness of the Shire of Brookton's Asset Management System is provided in 5.2. All elements were rated "B" or better for policy and procedures. All elements were rated "2" or better for performance.

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1 Introduction

1.1 Background

The Economic Regulation Authority (ERA) is responsible for regulating the licensing schemes for gas, electricity and water services in Western Australia. The 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 Moora holds a water services operating licence (WL23) 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 Moora. 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 17km vitreous clay gravity and rising main reticulation sewers with seven pumping stations for a resident population of 1,800 persons around 175km north of Perth consisting of 491 domestic and 100 commercial and industrial properties in the town site, together with wastes from septic tank “pump-outs”. The pumping stations discharge to a Wastewater Treatment Plant (WWTP) incorporating primary and secondary oxidation ponds, followed by two polishing lagoons. The annual sewage flow to the WWTP is approximately 72,000 kL. Treated effluent from the second polishing lagoon is pumped to a large storage dam in the town site – from which it is chlorinated and pumped to storage tanks and irrigated on the town oval and Apex Park and sports / recreation grounds during summer dry months. During winter, the effluent is retained in the storage dam.

1.2 Purpose of this report

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

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

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

The asset management system review covers:

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

Sections 24 and 25 of the *Water Services Act 2012* obligate the licensee to provide the Authority with an operational audit conducted by an independent expert acceptable to the Authority not less than once in every 24 month period (or such longer period as the Authority allows) and provide the Authority with a report by an independent expert acceptable to the Authority as to the effectiveness of the asset management system not less than once in every 24 month period (or such longer period as the Authority allows).

An operational audit of Shire of Moora's Water Services Operating Licence was last performed for the period 1 December 2008 to 30 November 2011. An asset management system review of the licence was last performed for the period 1 December 2011 to 31 May 2013.

Version 3 of the Shire of Moora's Water Services Operating Licence WL23 was issued on 18 November 2013.

2 Scope of works

2.1 Audit/Review Objectives

The objectives of this audit were to:

1. Provide to the Authority an independent assessment of the Shire of Moora'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 Moora's asset management system in relation to WL23
3. Provide recommendations to address non-compliances, if any.

2.2 Scope of Works

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

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

The scope of works of this audit included:

- ▶ Interviews with key staff members from the Shire of Moora 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 WL23
 - Assess performance against each asset management process for WL23.
- ▶ Reviews of documents, procedures and policy manuals in relation to financial management and planning, service performance standards, asset management, operations and maintenance functions and reporting
- ▶ Testing and assessment to determine whether the procedures and policies are followed and determine its effectiveness
- ▶ Preparation of an audit report in accordance with the format outlined in the ERA Audit and Review Guidelines: Water Licences (July 2014).

2.3 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 ERA's and 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 Operational audit methodology

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

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

Table 2-2 Asset management review methodology

Audit Area	Effectiveness Criteria	Approach	Systems	Key Documents
Asset 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
Environmental analysis	<ul style="list-style-type: none"> ▪ Opportunities and threats in the system environment are assessed 	<ul style="list-style-type: none"> ▪ Review performance and service standards over audit period 		<ul style="list-style-type: none"> ▪ Policies and procedures ▪ Planning reports

Audit Area	Effectiveness Criteria	Approach	Systems	Key Documents
	<ul style="list-style-type: none"> ▪ 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 / identify any breaches and non-compliances and corrective action taken ▪ Review adequacy of reporting and monitoring tools 		<ul style="list-style-type: none"> ▪ 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 check sheets ▪ 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 Information System	<ul style="list-style-type: none"> ▪ Adequate system documentation for users and IT operators ▪ Input controls include appropriate verification and validation of data entered into the system ▪ Logical security access controls appear adequate, such as passwords and that 	<ul style="list-style-type: none"> ▪ Review adequacy of asset information system: <ul style="list-style-type: none"> – Asset coverage – Functionality – Data 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 ▪ Asset reports

Audit Area	Effectiveness Criteria	Approach	Systems	Key Documents
	<p>appropriate system access and functionality is provided to users</p> <ul style="list-style-type: none"> ▪ 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"> – Security – User functionality granted is appropriate ▪ Review outputs / reports generated by systems and assess suitability for reporting against performance standards / licence obligations 		
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) ▪ The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period 	<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 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 operational audit covers the period from 1 December 2011 to 30 November 2014. This asset management system review covers the period from 1 June 2013 to 30 November 2014.

The previous operational audit covered the period from 1 December 2008 to 30 November 2011 and was undertaken by Quantum Management Consulting and Assurance (Quantum Assurance). The previous asset management system review covered the period from 1 December 2011 to 31 May 2013 and was undertaken by Barry Robbins Engineering & Project Management.

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 Moora's staff were carried out on 14 and 15 January 2015 at the Shire of Moora's offices in Moora, Western Australia.

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

Details of representatives from the Shire of Moora 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
Alan Leeson	Shire of Moora	Chief Executive Officer
Peter Williams	Shire of Moora	Manager Development Services
Tom Davies	Shire of Moora	Supervisor Sewerage Operations

2.7 Details of key documents and other information sources

The following documents were consulted as part of this audit and review:

- ▶ Shire of Moora Operating Licence – WL23, Version 3, November 2013
- ▶ Shire of Moora Operating Licence – WL23, Version 2, May 2009
- ▶ Barry Robbins Engineering and Project Management, 2013 Asset Management Review of Moora Sewerage & Non-Potable Water Supply Services, 7 August 2013
- ▶ Economic Regulation Authority, Shire of Moora Section 39 notice, 10 September 2013.
- ▶ Quantum Assurance, Shire of Moora Operational Audit and Asset Management System Review, Final Report, June 2012
- ▶ Shire of Moora – Asset Management Plan – Sewerage and Effluent Reuse Assets, January 2015
- ▶ Shire of Moora Customer Service Charter for Wastewater Services 2014/15
- ▶ Shire of Moora Fees and Charges 2014/15
- ▶ Shire of Moora Sewerage Connections Policy
- ▶ Shire of Moora Financial Hardship Policy for Water Services, March 2014
- ▶ Shire of Moora Adopted Budget 2013/14
- ▶ Shire of Moora Official Policy Manual

- ▶ Shire of Moora Register of Delegations, Updated 21 May 2014
- ▶ Minutes of Council meetings: 17 September 2014, 18 June 2014, 15 May 2013, 20 February 2013, 15 August 2012
- ▶ Works_Register – operations and maintenance tracking spreadsheet
- ▶ Sampling records and documentation
- ▶ Various training records
- ▶ Contingency test records – 8/8/14 and 11/9/14.

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

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

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

Table 2-4 Details of Audit / Review Team Members

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

3 Licensee’s Response to Previous Recommendations

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

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

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

3.1 Previous audit non-compliances and recommendations

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
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
2012/1.1	<p>Asset Management System – Contracting</p> <p>The previous audit noted the following:</p> <ul style="list-style-type: none"> The audit confirmed that the asset management system in respect to the licensed activity is in place. The Shire has contracted some aspects of managing the sewerage scheme to the Water Corporation. <p>However, Schedule 2 of the Agreement between</p>	<p>The previous audit recommended the following:</p> <ul style="list-style-type: none"> Update Schedule 2 of the Agreement between the Water Corporation and the Shire of Moora for the requirement that the Water Corporation will operate and maintain the Shire’s sewerage scheme in accordance with the Water Services Operating Licence. <p>The Shire noted the following:</p>	June 2012	Not applicable.

B. Resolved during current Audit period

the Water Corporation and the Shire of Moora for the operation and maintenance of the Moora sewerage system hasn't been updated for the requirement to operate and maintain the Shire's sewerage scheme in accordance with the Water Services Operating Licence.

The Agreement only requires operating and maintaining the Shire's sewerage scheme in accordance with the requirements of the Department of Environment.

- Also, Schedule 2 of the Agreement hasn't been updated for the Shire's responsibility to report on performance. The Agreement only states that "the Water Corporation is only responsible for periodic collection and collation of data on operation, maintenance and performance of the Moora sewerage scheme". The Water Corporation forwards quarterly reports to the Shire to enable the Shire to report on the sewerage scheme performance to the Department of Environment. The Agreement does not specify the requirement re reporting to the Authority under the Water services Operating Licence.
- Also, the Asset Management Plan has not been updated for the contracting arrangement and the contractual responsibilities.

- Process set in motion to put out a tender at Water Corporation request setting out conditions for which compliance is required. The wording of the tender is being formulated to ensure compliance requirements. After which, tenders will be accepted. Water Corporation has advised that no disruption to service will occur in the meantime, whilst this process is being carried out.

The action was the responsibility of the MHB&PS.

Our audit found that the Shire has assumed responsibility for operation and maintenance of its water service assets.

2012/1.2

Compliance Schedule

The Shire advised that any dates that require action are now being entered in to the corporate Microsoft Outlook calendar. The audit reviewed the Shire's corporate calendar and noted that the calendar does not include all of the regulatory requirements, including:

- Asset Management System Review due date;
- Operational Audit due date;
- Annual notification to customers of the availability of the Customer Service Charter;
- Three yearly review of the Customer Service Charter; and

Note the required timeframes for the following in the Shire's corporate calendar to ensure regulatory timeframes are met:

- Asset Management System Review (external);
- Operational Audit (external);
- Annual notification to customers of the availability of the Customer Service Charter;
- Three yearly review of the Customer Service Charter; and
- Annual internal review of the asset management system (i.e. AMP and supporting policies and procedures).

June 2012

No

B. Resolved during current Audit period

Notification to the Authority of changes to the asset management system.

- Changes to asset management system to be notified to the Authority within 10 business days.

The Shire noted the following in the "Management Response" column:

- Corporate calendar is in the process of being updated.

The Shire then noted the following in the "Person Responsible & Completion Date" column:

- Completed

The action was the responsibility of the MHB&PS.

2012/1.3

Service and Performance Standards

The licensee must comply with the performance standards set out in Schedule 4.

The previous audit noted the following:

- The audit reviewed the Shire's Performance Reports for the years ended 30 June 2010 and 2011 and noted that the Shire complied with all performance standards except for the requirement to have fewer than 40 blockages per 100km of sewer main per year as follows:
 - In the year ended 30 June 2010, the Shire reported 24 sewer blockages, which represents a figure of 139.3 blockages per 100km of sewer main; and
 - In the year ended 30 June 2011, the Shire reported 9 sewer blockages, which represents a figure of 56.3 blockages per 100km of sewer main. The Shire was unable to locate the Performance Report for the year ended 30 June 2009. Information from the Authority is that the performance standards were not met for the year ended 30 June 2009 as follows
 - In the year ended 30 June 2009, the Shire reported 1 sewer blockages, which represents

The previous audit recommended the following:

- Ensure compliance with the prescribed performance standards for sewerage blockages.
- Conduct further visual inspections of the sewer lines with a history of blockages and arrange clearance as necessary.

The Shire noted the following:

- The Shire of Moora will endeavour to ensure that pathways are incorporated into the agreement developed with the Water Corporation or another maintenance authority who will be in charge of maintaining the sewer system. The agreement will include performance indicators and regular meetings between the Shire and the contractor (at least quarterly) to review any performance issues.

Our audit found that:

- The Shire has met the performance standards in the audit period. The Shire has also purchased a CCTV inspection system

31/07/2012

No.

B. Resolved during current Audit period

a figure of 63.8 blockages per 100km of sewer main. The Shire recently conducted a visual investigation (camera) of the main sewer to identify sewer damage which has since been repaired, but it is considered that the sewer is not in immediate need for repair.

2012/1.4	<p>Payment of Fees</p> <p>The previous audit noted the following: The Shire's Department of Environment licence No. 5214 will expire on the 5th October 2013. Previously, a late application fee was incurred due to the licence renewal application being overdue. The audit reviewed the compliance schedule of dates in the Shire's corporate calendar and noted that the date required for the licence renewal application, being at least 70 days before the expiry of the existing licence, is not included in the schedule of events.</p>	<p>The previous audit recommended the following:</p> <ul style="list-style-type: none"> ▪ Update the compliance schedule of dates in the Shire's corporate calendar to include the Department of Environment licence renewal application due date, being at least 70 days before the expiry of the existing licence. <p>The Shire noted the following:</p> <ul style="list-style-type: none"> ▪ Completed <p>Our audit found that:</p> <ul style="list-style-type: none"> ▪ The previous audit report refers to payment of fees to the Department of Environment under Clause 4.1 of its Licence (Version 2). This Clause relates to payment of Licence fees to ERA, not the Department of Environment. 	June 2012	No
2012/1.5	<p>Notify Changes to Asset Management System</p> <p>The previous audit noted the following:</p> <ul style="list-style-type: none"> ▪ A new Asset Management Plan (AMP) was issued in March 2011. Although, the Legislative Requirements section of the AMP refers to the requirement to notify any changes to the system to the Authority, the required timeframe of 10 business days is not specified. 	<p>The previous audit recommended the following:</p> <ul style="list-style-type: none"> ▪ Update the Asset Management Plan - Monitoring and Review Procedures section for the requirement to notify the Authority of any changes to the asset management system within 10 business days. <p>The Shire noted the following:</p> <ul style="list-style-type: none"> ▪ Steps are underway currently to update the Asset Management Plan and to include procedures for Monitoring and Review to ensure that Authority is notified within 10 business days. <p>Our audit found that:</p> <ul style="list-style-type: none"> ▪ The Asset Management Plan has been updated to include this requirement 	February 2014	No.

B. Resolved during current Audit period

2012/1.7	<p>Update of Asset Management Plan for Information Reporting Requirements</p> <p>The previous audit noted the following:</p> <ul style="list-style-type: none"> ▪ The Reporting Requirements section of the Asset Management Plan (AMP) outlines only the reporting requirements of the Shire to the Department of Environment. The AMP hasn't been updated for the reporting requirements to the Authority under the Water Services Operating Licence. ▪ Also, although the G2 requirement of the licence to provide an annual monitoring report is included in the Reporting Requirements section of the AMP, the G3 requirement to provide an annual audit compliance report by 1st September each year is not included. 	<p>The previous audit recommended the following:</p> <ul style="list-style-type: none"> ▪ Update the Asset Management Plan for the reporting requirements to: <ul style="list-style-type: none"> – the Authority re performance and compliance reporting; and – the Department of Environment for the annual audit compliance report due by 1st September each year. ▪ These dates should also be included in the Shire's corporate calendar. <p>The Shire noted the following:</p> <ul style="list-style-type: none"> ▪ Corporate calendar updated to include reporting requirements. ▪ Asset Management Plan to be updated. <p>Our audit found that:</p> <ul style="list-style-type: none"> ▪ The Asset Management Plan has been revised to cover these reporting requirements 	February 2014	No
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C. Unresolved at end of current Audit period

Reference (no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required
2012/1.6	<p>Compliance and Performance Reporting</p> <p>In accordance with the Water Compliance Reporting Manual May 2011, the Shire is required to submit to the Authority:</p> <ul style="list-style-type: none"> ▪ Annual performance reports no later than 31 July for the reporting year ending 30 June; and ▪ Annual compliance reports by 31 August for the year ending 30 June. <p>The previous audit noted the following:</p> <ul style="list-style-type: none"> ▪ The audit reviewed the Shire's Compliance and Performance Reports for the years ending 30 June 2010 and 2011 and noted the following exceptions: <ul style="list-style-type: none"> – Performance and Compliance Reports for the year ended 30 June 2010 were submitted after the due date. Moreover, these non-compliances were omitted in the subsequent Compliance Report; and – The Shire was not able to locate the Performance and Compliance Reports for the year ended 30 June 2009. The Authority advised that the 2009 Performance and Compliance reports were submitted after the due dates; <p>The Shire could not provide any evidence that the Performance and Compliance Reports for the year ended 30 June 2011 were submitted to the Authority by the due date. Also, the documentation explaining where and how to source the required information for all reporting has not yet been created.</p>	<p>The previous audit recommended the following:</p> <ol style="list-style-type: none"> 1. The Shire should ensure that all future Performance and Compliance Reports are submitted to the Authority within the timeframes required. 2. Update the compliance schedule of dates in the Shire's corporate calendar to include the annual Performance and Compliance Reports submission dates. 3. Keep track of all non-compliances with the licence obligations so that all future Compliance Reports include all non-compliances with the licence obligations. 4. Create documentation to explain where and how to source the required information; and file and keep copies of the source information together with a copy of the Schedule 3 Annual Performance Report to allow easier checking of the validity of the results. 5. Properly file all correspondence between the Shire and the Authority in a Water Licence hardcopy file. <p>The Shire noted the following:</p> <ol style="list-style-type: none"> 1. Corporate Calendar updated. 2. Corporate Calendar updated. 3. Non Compliance table to be developed. 4. Documented procedure to be developed. 5. Filing to be set up. <p>This audit has found that the licensee has not met all reporting obligations during the audit period.</p>	2012	Yes. See recommendation 04/2015 from this audit

3.2 Previous review ineffective components and recommendations

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
2013/1	<p>Asset Planning</p> <p>The previous review noted the following:</p> <ul style="list-style-type: none"> Sections 1 and 2 of the AMP adequately set out the Shire's philosophy regarding provision and standard of sewerage service, the interest of its customers and the minimum levels of service to be achieved. <p>The system adequately copes with the current hydraulic and organic loading. However, there is no forecast of future population, therefore, ongoing demands on the system cannot be assessed. Long term financial allowances for upgrades or replacement of assets are therefore likely to prove unreliable.</p>	<p>The previous review recommended the following:</p> <ul style="list-style-type: none"> A forecast of future demand should be prepared and- in conjunction with an assessment of asset condition, used to program ongoing works and relevant financial plans. <p>The post review implementation plan actions noted the following:</p> <ul style="list-style-type: none"> Commenced. <p>Our review found that:</p> <ul style="list-style-type: none"> The Asset Management Plan now includes an extended discussion on forecast demand The February 2014 "Report on The Shire of Moora Response to Economic Regulation Authority's Section 39 Notice of Contraventions of Sewerage 	February 2014	No

B. Resolved during current review period

and Non-Potable Water Supply Services, Operating Licence No. 23” by Barry Robbins Engineering and Project Management (“Section 39 Review Report (February 2014)”) found that this recommendation had been “mainly resolved”.

2013/2	<p>Asset Creation & Acquisition</p> <p>The previous review noted the following:</p> <ul style="list-style-type: none"> No new assets acquisitions are planned at present. However, the Shire has a procedure and pro-forma document intended for use in the creation and /or acquisition of new assets. Reviewer inspected the documented procedure used recently in connection with the purchase and installation of a water meter on the inlet pipe to the WWTP. <p>The above principles do not appear to have been applied in consideration of the need for and method of de-sludging the No.1 Pond at the WWTP. See comments under Item 11 – Capital Expenditure Planning.</p>	<p>The previous review recommended the following:</p> <ul style="list-style-type: none"> Review and document the necessity for and the proposed method of de-sludging Pond No.1 at the WWTP. The Shire’s documented acquisition procedure should be followed for all intended acquisitions, including assessing the need for de-sludging, the treatment lagoons. <p>The post review implementation plan actions noted the following:</p> <ul style="list-style-type: none"> Planned for 13/14. <p>Our review found that:</p> <ul style="list-style-type: none"> De-sludging lagoons is a maintenance activity and therefore there should have been no requirement to follow capital expenditure planning requirements The Section 39 Review Report (February 2014) noted that the a “broad but informal application of the Shire’s acquisition procedure” and that this issue was “resolved” 	N/a	No
2013/3	<p>Environmental Analysis</p> <p>The previous review noted the following:</p> <ul style="list-style-type: none"> A SWOT analysis and a risk analysis of 24 perceived risks is included in Section 3 of the AMP. Levels of service are set out in Sections 1 and 2 of the AMP as stated in Item 1 Asset Planning above. The performance report to ERA for 2011 /12 indicated service levels were being achieved with 	<p>The previous review recommended the following:</p> <ul style="list-style-type: none"> Ensure that the SWOT and Risk Analysis are reviewed and upgraded and that the requirement to report to ERA is included. <p>The post review implementation plan actions noted the following:</p> <ul style="list-style-type: none"> To be commenced November 13. 	February 2014	No

B. Resolved during current review period

the exception of blockages - noted that 63.8 sewer chokes/ breaks per 100 km of sewer exceeded the upper service level of 40 per 100 km.

This represented eleven incidents of which several were due to blockages caused by customer misuse of the system. Shire's practices are considered adequate.

- Department of Health required water quality test results for 2012 and 2013 (to date) were within limits.
- Section 2.4.2 Of the AMP – Reporting Requirements neglects to list the necessity to report performance to ERA and the report contents.

Our review found that:

- The risk assessment has been reviewed and updated by the Shire
- The SWOT analysis is not necessary for the Shire to provide effective asset management and does not to be updated in future
- The Section 39 Review Report (February 2014) noted that this issue was "resolved"

2013/4

Asset Operations

The previous review noted the following:

- The AMP refers to Water Corporation's OHS Manual for operation of the collection system. The Water Corporation manual is not included in the AMP, nor does the Shire have a copy of the document.
- Apart from reference to the Water Corporation Manual, the AMP has only half a page of inadequate comment on operation of the pressure mains and gravity sewers and the pumping stations. While it is reasonable to assume that Water Corporation operates the collection system competently and in accordance with its own operating instructions, the Shire has no knowledge of the procedures or oversight of the operations.
- The AMP operation procedures for the WWTP the effluent chlorination and disposal system are similarly inadequate in terms of detailed description and timing.
- Despite the above negative comments regarding the Shire's documentation of its AMP, Water Corporation's operations of the collection system and the Shire's operations of the WWTP and disposal system are considered competently implemented.

The previous review recommended the following:

- The Shire should develop detailed operation plans for the collection, treatment chlorination and effluent disposal systems. These plans should be included in its proposed new Asset Management Plan, together with a formal training program for its future operators.
- It is noted that work on these documents has commenced. Draft documentation was inspected by the reviewer. The documentation should be completed as soon as possible in anticipation its inclusion in the proposed new Asset Management Plan.

The post review implementation plan actions noted the following:

- Asset Management plan Commenced.
- Operational Plan detailing collection & reticulation of Chlorinated sewerage to be included in Asset Management plan.

Our review found that:

- Operational plans have been completed for operational activities relating to the Shire's water service activities

February 2014 No

B. Resolved during current review period

- The Section 39 Review Report (February 2014) found that the first sub-recommendation was “resolved” but the second sub-recommendation was “partly-resolved”. A further recommendation was made that a “description of the procedures be included in the AMP and copies of the appropriate pro-forma and reporting sheet included in the appendices”.
- We found that the revised AMP includes a description of the procedures as well as example documentation in the appendices

2013/5

Asset Maintenance

The previous review noted the following:

- Maintenance procedures in the AMP are basic and out of date. e.g., maintenance of the sludge drying beds is included despite the drying beds being out of service for several years.

While the list of maintenance operations is reasonable, descriptions of their implementation are not provided – necessitating the operator to have thorough separate training.

- A copy of the Water Corporation maintenance sheet is referred to in the AMP but not provided, nor does the Shire have a copy of the maintenance sheet.
- The AMP does not have a list of spare parts held or the details of relevant suppliers or agents.
- It is understood that Water Corporation undertakes its own risk management assessment for the purpose of establishing maintenance priorities. However details are not provided.
- The Asset Register in the AMP is basic and insufficiently detailed.
- The Water Corporation provides the Shire with quarterly list of operation and maintenance tasks undertaken. The Shire uses the information to compile data for reporting to ERA and Dept. Environmental Registration. Water Corporation

The previous review recommended the following:

- The Shire should continue to develop the maintenance procedures, schedule and supplier information with a view to completing the proposed new AMP prior to Water Corporations expected withdrawal of its services.

The post review implementation plan actions noted the following:

- This is in progress.

Our review found that:

- Maintenance procedures have been completed for maintenance activities relating to the Shire’s water service activities
- The Section 39 Review Report (February 2014) found that this issue was “resolved”

February 2014 No

B. Resolved during current review period

bills the Shire annually for expenditure associated with operating and maintaining the collection scheme. Also, it seeks Shire approval for larger item expenditure prior to purchase.

- The Shire has commenced drafting a more detailed maintenance program and Asset Register in anticipation of their inclusion in the proposed new Asset Management Plan.
- Despite the above negative comments regarding the Shire's documentation of its AMP, Water Corporations maintenance of the collection system and the Shire's maintenance of the WWTP and disposal system are considered competently implemented.

2013/6

Asset Management Information System

The previous review noted the following:

- The Shire currently operates a paper based asset management information system. This has proved adequate in the past, as Water Corporation has undertaken the bulk of recording operation and maintenance activities, incident reports etc.

As the Water Corporation is withdrawing its service after December 2013, a more sophisticated AM Information system will need to be established as the Shire undertakes the operation of (in addition to the responsibility for) the overall system. While financial information will continue to reside on the Shire's "Synergy." software package a computer based spread sheet information system will be necessary to collate and control the information gathered and reported on. The Shire has obtained basic spread sheet software from another Shire and intends adapting this system to Moora system requirements. When implemented, the system will be available only to selected Shire staff and will be subject to the Shire's normal security procedures of password access, daily back-up, and building security.

The previous review recommended the following:

- The Shire should develop a computer based asset management information system from the software it has acquired. In view of the necessity for the Shire to assume the operation and maintenance of the sewerage system after December 2013, it is essential that this proceed promptly.

December
2013

No

The post review implementation plan actions noted the following:

- The Shire has the basis for this to occur but needs more information to put it together.
- Training is planned this month.

Our review found that:

- The Shire has documented its Asset Management System on its network drive with includes the major components of the Asset Management Plan, operations and maintenance procedures and asset register
- The Shire uses the "Works_Register" schedule to track planned and completed activities
- The Section 39 Review Report (February 2014) found that this issue was "resolved"

B. Resolved during current review period

2013/7	Risk Management	The previous review recommended the following:	February 2014 No
	<p>The previous review noted the following:</p> <ul style="list-style-type: none"> ▪ A SWOT analysis and a risk analysis of 24 perceived risks is included in Section 3 of the AMP. Control measures are stated for each risk identified and the resulting residual risks assessed. <p>The risks identified, their control measures and residual risks should all be reviewed and amended/ extended as appropriate. There is no stated minimum period or conditions under which risks should be reviewed.</p> <ul style="list-style-type: none"> ▪ It is noted that some of the Control Measures refer to the minimum value of the sewerage reserve fund and a minimum storage of 48 hours of sewage flow. Reviewer doubts the validity of the reserve fund balance as a control measure. ▪ Also, the storage volume and location should be verified i.e., is it in the reticulation pipes, wet wells of pumping stations, WWTP etc. ? Storage volume in say, the WWTP is not a control in the event of an upstream pumping station failure. 	<ul style="list-style-type: none"> ▪ The range of risks, the attendant consequences and controls should be reviewed and amended as appropriate. ▪ The Risk Register should specify the minimum period and other change of condition requiring a review of risks. ▪ The effectiveness of the sewerage reserve fund as a control measure should be reviewed and the make up of the stated 48 hours flow storage should be determined and its relevance as a control reviewed. 	
		<p>The post review implementation plan actions noted the following:</p> <ul style="list-style-type: none"> ▪ Changes to the existing risk Register will be made so it is compliant with this requirement. 	
		<p>Our review found that:</p> <ul style="list-style-type: none"> ▪ The risk assessment has been reviewed and updated by the Shire ▪ While the previous review recommended that the Shire should state the "minimum period or conditions under which risks should be reviewed" we note that there is no such requirement in ISO31000. ISO31000 notes the importance of reviewing risk management practices but does not recommend setting minimum periods or conditions under which risks should be reviewed. Therefore, we consider it more appropriate that the reviewer assess whether the risk assessment is sufficiently current given the nature and scale of the licensee's activities. We note that ▪ The SWOT analysis is not necessary for the Shire to provide effective asset management and does not to be updated in future ▪ The Section 39 Review Report (February 2014) found that this issue was "resolved" 	

B. Resolved during current review period

2013/8	<p>Contingency Planning</p> <p>The previous review noted the following:</p> <ul style="list-style-type: none"> ▪ Contingency plans are documented as emergency plans in Section 3.5 of the AMP. The plans are considered too basic and out of date. ▪ The list of relevant staff is incomplete and refers to various officers incorrectly, e.g. the Works Manager is also referred to as the Works Supervisor. <p>Also, the Manager Development Services is referred to in the text as the Environmental Health Officer.</p> <p>The role of electricians, WA Webb & Co is not stated. Although the electrician is indicated as a contact in the text, it is not apparent from the document who the electrician is.</p> <p>Telephone contacts for all relevant service authorities such as Police, Fire Brigade and Bush Fire Brigade, Power and Gas, State Emergency Service etc. should also be supplied.</p>	<p>The previous review recommended the following:</p> <ul style="list-style-type: none"> ▪ Review and re-write the emergency plans as Contingency plans to: <ul style="list-style-type: none"> – Expand the list of contingencies likely to occur. – Provide more detail of the actions to be undertaken and the procedural details for their implementation. – Expand the list of authority and contractor contacts together with their role and contact details. – Include a requirement for the contingency plans to be periodically tested and provision for recording those involved in such tests, the date, outcome of the tests, amendments made and any action taken. <p>The post review implementation plan actions noted the following:</p> <ul style="list-style-type: none"> ▪ It is anticipated to do this in early 2014. <p>Our review found that:</p> <ul style="list-style-type: none"> ▪ The Section 39 Review Report (February 2014) found that the first three sub-recommendations (expanding the list of contingencies, more detail of actions, expand list of contacts) were “resolved” but that the last recommendation (requirement for testing and recording outcomes) was only “partly resolved” ▪ We found that the AMP had been updated to include a statement about testing the contingency plans. We found records relating to the testing of two contingency plans and the lessons learned. We recommend that the Shire tests and documents more contingency plans (at least once annually for each) 	February 2014	<p>We recommend that the Shire tests and documents more contingency plans (at least once annually for each)</p>
2013/9	<p>Financial Planning</p>	<p>The previous review recommended the following:</p>	February 2014	No

B. Resolved during current review period

The previous review noted the following:

- The AMP contains a ten year Income/ Expenditure forecast supported by corresponding ten year Capital Expenditure and Reserve contribution forecasts. All plans are based on a commencement of 2011/12 and are therefore at least one year out of date.
- The Income/Expenditure plan includes specific capital works for 2014/15 and an amount of \$200,000 for reticulation pipeline replacement for all remaining years of the forecast period. There are no calculations available which indicate how the capital works tasks and estimates were determined. Also, contributions to the sewerage reserve are not included in the Expenditure /Income forecast.
- The value of funds held in the sewerage reserve should be determined annually on the basis of the current replacement value of assets divided by their remaining life expectancy in years. The contribution to the fund for a given year is then the difference between determined annual value and the current balance. The determined annual value is therefore dependent on the replacement value of the assets for the year in question and the remaining life of the assets.
- The value of funds held in the sewerage reserve should be determined annually on the basis of the current replacement value of assets divided by their remaining life expectancy in years. The contribution to the fund for a given year is then the difference between determined annual value and the current balance. The determined annual value is therefore dependent on the replacement value of the assets for the year in question and the remaining life of the assets.
- Reviewer is concerned that:
 - on the basis of the shorter useful life suggested above, the determined annual value of the sewerage reserve - and hence annual contributions to the reserve will have been too low. A review of the working life expectancy of

- Update the Income / Expenditure plans to:
 - Reflect the current year and ten years hence.
 - Include the result of a review of the useful life expectancy of the assets and the 2013/14 replacement value of the assets - with a view to setting a more appropriate annual value of funds held in the sewerage reserve and the annual contributions.
 - Include annual contributions to the sewerage reserve fund and review the reasons why some years have no allowance for contributions to the fund.
 - Clarify the discrepancy between the allowances for transfer to sewerage reserve between the ten year plan in the AMP and the 2013/14 budget.
 - Amend the annual transfer to reserve amounts if deemed necessary following the useful life review in the second dot point above.

The post review implementation plan actions noted the following:

- This will be accomplished early next year.

Our review found that:

- The Section 39 Review Report (February 2014) found that all recommendations were resolved
- We also found that the Shire's financial planning was sufficiently effective

B. Resolved during current review period

the sewerage system elements and the appropriate contributions to the sewerage fund is considered necessary.

- the Sewerage Reserve Fund summary presented in Table 8 of the AMP shows many years when proposed contributions to the fund are zero. This is only considered reasonable when the funds in the reserve exceed the determined annual value.
- In contrast to the above dot point, a separate copy of the Shire's transfer to reserves sheet for the 2013/14 budget indicates an allowance of \$230,000 to the sewerage reserve annually to the year 2021/2022. This anomaly reinforces the need for all documentation to be kept up to date in terms of timing and content.

2013/10	<p>Capital Expenditure Planning</p> <p>The previous review noted the following:</p> <ul style="list-style-type: none"> ▪ The capital expenditure five year plan in the AMP indicates 2013/14 expenditure of \$200,000 for renewal (de-sludging) of the primary lagoon at the WWTP. The 2014/15 plan indicates expenditure of \$162,000 for other specified works. ▪ The remainder of the five years period has lump sum allowances of \$ 200,000 - as does the ten year financial plan discussed under Item 10 above, for the replacement of VC pipes over the years 2015/16 to 2021/22. This allowance appears somewhat arbitrary, as there appears no written justification or estimates for allocation of this expenditure. <p>Inspection of CCTV footage of some of the VC pipe collection system indicates that the pipes (at least in the area tested) are in good condition.</p> <ul style="list-style-type: none"> ▪ Regarding renewal of primary pond No1 at the WWTP, consideration is being given to purchasing equipment that will allow de-sludging without emptying the pond. <p>Reviewer has not sighted estimates for the</p>	<p>The previous review recommended the following:</p> <ol style="list-style-type: none"> 1. Re-visit the proposed plans and allowances to replace VC pipes in conjunction with further consideration of the useful life of assets as discussed in Item 11 – Financial Planning. 2. Update the expenditure plan in terms of time and content. 3. Determine whether or not the No.1 pond at the WWTP requires de-sludging. 4. Consult Health Department on the possibility of by-passing Pond No.1 to allow de-sludging if proved necessary. 5. Conduct an assessment of the condition of the VC collection system and manholes. Consider a total or staged partial CCTV program. 6. Provide a detailed breakdown of the expenditure proposed to allow the \$200,000 allowances for replacement of VC pipes to be verified or amended. <p>The post review implementation plan actions noted the following:</p> <ol style="list-style-type: none"> 1. This is a budget requirement and will be budgeted for 14/15. 	<p>February 2014 No</p>
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B. Resolved during current review period

proposed procedure, but is surprised at the significant estimated cost – particularly as it has not been established that the sludge build up is sufficient to necessitate its removal. It is suggested that this necessity be determined prior to proceeding further.

Reviewer considers that adequate treatment could be achieved with Pond No.1 temporarily out of service. It would therefore appear more practical and less expensive to temporarily divert incoming flows direct to pond No.2, pump pond No.1 out to pond 2 and allow pond 1 to dry out over summer. Sludge could then be removed and Pond No.1 returned to service for the following winter.

2. Jan 14
3. September 13
4. September 13
5. Budget item 14/15
6. Budget item 14/15

Our review found that:

- The Section 39 Review Report (February 2014) found that all recommendations were resolved
- We also found that the Shire's capital expenditure planning was sufficiently effective

2013/11

Review of Asset Management System

The previous review noted the following:

- The AMP has been partially updated but the update - apart from being incomplete, contains many anomalies as noted elsewhere in this report. These matters have been discussed with the Shire's Manager, Development Services.

There is clearly a need to rewrite the document in preparation for the Water Corporation's withdrawing its operation and maintenance services after December 2013.

It is noted that the Shire has commenced the preparation of draft sections of a proposed new AMP. Also, that an amount of \$150,000 for preparation and implementation of the new AMP in the 2013/14 budget papers.

The previous review recommended the following:

- The Shire should make every effort to complete the new AMP prior to Water Corporation's withdrawal of its operations and maintenance services after December 2013.

The post review implementation plan actions noted the following:

- This item will be addressed January 14.

Our review found that:

- The Section 39 Review Report (February 2014) found that this recommendation was "partly resolved"
- The Section 39 Review Report (February 2014) recommended that "The document should be edited or re-drafted, to better reflect the sequence of headings of Table 16 "Asset Management Key Processes and Effectiveness Criteria" of ERA's "Audit Guidelines – Electricity Gas and Water Licences, August 2010"."
- The licensee has complied with this recommendation and the Asset Management Plan is structured in line with Table 16 of the 2010 Guidelines. We do not consider that this improves

No

February 2014

B. Resolved during current review period

the effectiveness of the licensee's asset management.

C. Unresolved at end of current review period

Reference (no./year)	(Asset management effectiveness rating / Asset Management System Component & Criteria / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
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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 Moora 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 Moora'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. ¹	Licence Reference	Audit Priority ²	Adequacy of Controls Rating						Compliance Rating					
			A	B	C	D	NP	NA	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							✓					✓
2012/16	Schedule 3 Clause 3.10	4					✓			✓				

¹ 2014 Water Compliance Reporting Manual unless noted otherwise

² 1 = highest priority, 5 = lowest priority

Compliance Obligation Ref No. ¹	Licence Reference	Audit Priority ²	Adequacy of Controls Rating						Compliance Rating						
			A	B	C	D	NP	NA	1	2	3	4	NA	NR	
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	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							✓					✓	
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					✓								✓
19	Section 87(2)	4					✓								✓
20	Section 90(7)	5					✓								✓
21	Section 95(3)	2							✓					✓	

Compliance Obligation Ref No. ¹	Licence Reference	Audit Priority ²	Adequacy of Controls Rating						Compliance Rating					
			A	B	C	D	NP	NA	1	2	3	4	NA	NR
22	Section 96(1)	4						✓						✓
23	Section 96(5)	5						✓						✓
24	Section 98(3)	4						✓						✓
25	Section 106(2)	4						✓						✓
28	Section 119(2)	4						✓						✓
29	Section 122(2)	4						✓						✓
30	Section 125(2)	4							✓					✓
31	Section 128(4)	4						✓						✓
32	Section 129(5)	4						✓		✓				
33	Section 139(3)	4						✓		✓				
34	Section 141(1)	4							✓					✓
35	Sections 142	4						✓						✓
36	Sections 143 (2)	4						✓						✓
37	Sections 143 (3)	5						✓						✓
38	Sections 144(3)	4						✓						✓
39	Section 145(2)	5						✓						✓
40	Section 147(3)	4						✓						✓
41	Section 147(4)	4						✓						✓
42	Section 151(1)	4						✓						✓
43	Section 151(2)	4						✓						✓
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						✓						✓
53	Section 175(5)	4						✓						✓
54	Section 176(1)	4						✓						✓
55	Section 176(3)	4						✓						✓
56	Section 176(4)	4						✓						✓
57	Section 181	5						✓						✓

Compliance Obligation Ref No. ¹	Licence Reference	Audit Priority ²	Adequacy of Controls Rating						Compliance Rating						
			A	B	C	D	NP	NA	1	2	3	4	NA	NR	
58	Section 186	4					✓								✓
59	Section 187(1) – (3)	4					✓								✓
60	Section 190(4)	4					✓								✓
61	Section 190(5)	4					✓								✓
62	Section 210(5)	4					✓								✓
63	Section 218(2)	5					✓								✓
64	Section 218(3)	4					✓								✓
	Water Services Regulations 2013														
74	Regulation 60(2)	4					✓								✓
75	Regulation 63	4					✓		✓						
89	Regulation 85	4					✓								✓
157	Clause 5.2	4							✓					✓	
158	Clause 5.3	4		✓							✓				
	Water Services Code of Conduct (Customer Service Standards) 2013														
92	Clause 7	4		✓							✓				
93	Clause 8	4							✓					✓	
94	Clause 9	4					✓			✓					
95	Clauses 10(2)	4							✓					✓	
96	Clauses 10(3)	4							✓					✓	
97	Clause 10(4)	4							✓					✓	
98	Clause 10(5)	4							✓					✓	
99	Clause 11	4					✓			✓					
103	Clause 13(1)	4							✓					✓	
104	Clause 13(2)	4							✓					✓	
105	Clause 14(1)	4							✓					✓	
106	Clause 15	4							✓					✓	
107	Clause 16(2)	4					✓								✓
108	Clause 16(3)	4					✓								✓
109	Clause 16(4)	4					✓								✓
110	Clause 16(5)	4					✓								✓
111	Clause 17(1)	4					✓								✓
112	Clause 17(2)	4													✓

Compliance Obligation Ref No. ¹	Licence Reference	Audit Priority ²	Adequacy of Controls Rating						Compliance Rating					
			A	B	C	D	NP	NA	1	2	3	4	NA	NR
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							✓					✓
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							✓					✓
142	Clauses 34(4)	4							✓					✓
144	Clauses 34(6)	4							✓					✓
145	Clauses 35(1)	4		✓								✓		
146	Clause 35(2)	4		✓								✓		
147	Clauses 35(3)	4		✓								✓		
148	Clauses 35(4)	4		✓								✓		
149	Clauses 35(6)	4		✓								✓		
150	Clause 36(1)	4						✓		✓				
152	Clause 36(2)	4						✓		✓				
153	Clause 37(1)	4		✓							✓			
Water Services Act 2012														

Compliance Obligation Ref No. ¹	Licence Reference	Audit Priority ²	Adequacy of Controls Rating						Compliance Rating						
			A	B	C	D	NP	NA	1	2	3	4	NA	NR	
Accounting Records (Clause 12)															
160	Section 12	5						✓		✓					
Individual Performance Standards (Clause 13)															
161	Section 12	4						✓						✓	
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						✓							✓
171	Section 12	4		✓							✓				
172	Section 12	4						✓		✓					
6	Sections 24(1)(a) & 24(2)	5						✓		✓					
7	Section 24(1)(b)	4						✓							✓
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)															

Compliance Obligation Ref No. ¹	Licence Reference	Audit Priority ²	Adequacy of Controls Rating						Compliance Rating					
			A	B	C	D	NP	NA	1	2	3	4	NA	NR
174	Section 12	4						✓						✓
	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						✓		✓				
180	Section 12	5						✓						✓
	Supplier of Last Resort (Clause 25)													
181	Section 12	4						✓						✓
14	Section 60	4						✓						✓
	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						✓						✓
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						✓						✓
185	Section 12	N/A						✓						✓

Compliance Obligation Ref No. ¹	Licence Reference	Audit Priority ²	Adequacy of Controls Rating						Compliance Rating					
			A	B	C	D	NP	NA	1	2	3	4	NA	NR
186	Section 12	N/A						✓						✓
	Performance Standards (Schedule 3)													
190	Section 9	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 Table 4-5.

Table 4-5 Asset Management Review ratings

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

Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
▪ There is a replacement strategy for assets	A	2
Environmental analysis	B	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	B	2
▪ Compliance with statutory and regulatory requirements	B	2
▪ Achievement of customer service levels	B	2
Asset operations	B	2
▪ Operational policies and procedures are documented and linked to service levels required	B	2
▪ Risk management is applied to prioritise operations tasks	A	2
▪ Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data	A	2
▪ Operational costs are measured and monitored	B	2
▪ Staff resources are adequate and staff receive training commensurate with their responsibilities	A	2
Asset maintenance	A	2
▪ Maintenance policies and procedures are documented and linked to service levels required	A	2
▪ Regular inspections are undertaken of asset performance and condition	B	2
▪ Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule	A	1
▪ Failures are analysed and operational / maintenance plans adjusted where necessary	A	2
▪ Risk management is applied to prioritise maintenance tasks	A	2
▪ Maintenance costs are measured and monitored	A	A
Asset management information system	A	2
▪ Adequate system documentation for users and IT operators	A	2
▪ Input controls include appropriate verification and validation of data entered into the system	B	2
▪ Logical security access controls appear adequate, such as passwords	A	2
▪ Physical security access controls appear adequate	A	2
▪ Data backup procedures appear adequate and backups are tested	A	2
▪ Key computations related to licensee performance reporting are materially accurate	B	2
▪ Management reports appear adequate for the licensee to monitor licence obligations	A	2
Risk management	B	2

Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
<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	2
<ul style="list-style-type: none"> Risks are documented in a risk register and treatment plans are actioned and monitored 	B	2
<ul style="list-style-type: none"> The probability and consequence of risk failure are regularly assessed 	B	2
Contingency planning	B	2
<ul style="list-style-type: none"> Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks 	B	2
Financial planning	B	2
<ul style="list-style-type: none"> The financial plan states the financial objectives and strategies and actions to achieve the objectives 	B	2
<ul style="list-style-type: none"> The financial plan identifies the source of funds for capital expenditure and recurrent costs 	B	2
<ul style="list-style-type: none"> The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets) 	B	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 	A	2
<ul style="list-style-type: none"> The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services 	A	2
<ul style="list-style-type: none"> Significant variances in actual / budget income and expenses are identified and corrective action taken where necessary 	B	2
Capital expenditure planning	B	2
<ul style="list-style-type: none"> There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates 	B	2
<ul style="list-style-type: none"> The plan provides reasons for capital expenditure and timing of expenditure 	A	2
<ul style="list-style-type: none"> The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan 	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 	A	2

5 Observations

5.1 Operational Audit

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

Figure 5-1 Operational audit observations

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
Water Services Licensing Act 1995						
2012/7	Clause 20.1	<p>The Licensee must comply with the service and performance standards as set out in Schedule 4. These are:</p> <p>1.1 <u>Emergency response</u></p> <p>The licensee shall provide an emergency telephone advice system such that customers need make only one telephone call to report an emergency and that the customer shall be advised of the nature and timing of the action to be undertaken by the licensee.</p> <p>Target:</p> <p>90% of customers within 1 hour of reporting an emergency shall be advised of the nature and timing of the action to be undertaken by the licensee.</p> <p>2.1 Customer complaints</p>	2	<p><u>Emergency response</u></p> <ul style="list-style-type: none"> ▪ The licensee maintains a 24hr emergency contact service. The licensee had in place an arrangement with Water Corporation to provide a 24hour response via the Water Corporation's 24hr contact number 13 13 75. ▪ The 24 hr contact number is detailed in the Customer Service Charter. ▪ The emergency response arrangement with Water Corporation ceased on 1 January 2014 so was in place for the period that this obligation was in effect. Emergency response is now provided by the Works Supervisor and the works Supervisor's number is listed on the licensee's website. ▪ The Water Corporation was therefore responsible for managing this function and meeting the performance standard. The Water Corporation managed this function in accordance with its own internal processes and provided to the licensee a summary report of the activities undertaken at the end of each month. ▪ The summary report and information provided to the licensee did not explicitly specify that they had provided customers the necessary information within 1 hour. However, the Water Corporation understood its obligations and would be expected to have met this criteria. ▪ The licensee advised that it has held meetings with Water Corporation to confirm that it understands its obligations and was discharging its duties. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Customer Service Charter ▪ Annual Performance Reports (2011, 2012, 2013) 	1

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
		<p>The licensee shall respond to customer complaints in accordance with the licence standard</p> <p>Target: 90% of customer complaints resolved within 15 business days.</p> <p>3.1 Continuity and overflows</p> <p>3.1(a) The number of sewer blockages per 100km of sewer mains.</p> <p>Target: In the preceding 12 months there were fewer than 40 blockages per 100km of sewer main</p> <p>3.1(b) Percentage of connected properties experiencing a wastewater overflow.</p> <p>Target: In the preceding 12 month period 90% of customers receive the standard for the licensee's schemes.</p>		<ul style="list-style-type: none"> We consider that this performance standard is likely to have been complied with for the relevant period. <p><u>Customer complaints</u></p> <ul style="list-style-type: none"> Section 2.9 of the licensee's Customer Service Charter sets out the complaints process. Complaints may be made in writing, by telephone, in person at the Shire service centre and also via a web form on the Shire's website The Shire maintains a register for tracking complaints related to its water services No complaints have been received during the audit period. Therefore, the licensee has complied with this performance standard. <p><u>Continuity and overflows</u></p> <ul style="list-style-type: none"> The licensee maintains a register for tracking all operational events. Previously, the Water Corporation would provide this information in its monthly summary reports. The licensee maintains 17.8km of sewers. This corresponds to a performance standard of no more than seven blockages per year. The licensee has recorded and reported fewer than seven blockages in 2011/12, 2012/13 and 2013/14 There were no overflows to connected properties during the audit period. Therefore, the licensee has complied with this performance standard. One overflow occurred but was in pipework that the customer was responsible for. 		
Other Licence Conditions						
2012/9	Clause 6.1	The licensee must establish a customer complaints process as set out in Schedule 3.	4	<ul style="list-style-type: none"> Section 2.9 of the licensee's Customer Service Charter sets out the complaints process. Complaints may be made in writing, by telephone, in person at the Shire service centre and also via a web form on the Shire's website The Shire maintains a register for tracking complaints related to its water services 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Customer Service Charter Review of sewerage 	1

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> No complaints have been received during the audit period 	<ul style="list-style-type: none"> scheme complaints registers 2011, 2012 and 2013 Review of the Shire's website 	
2012/11	Schedule 3 Clause 3.8	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.	4	<ul style="list-style-type: none"> No complaints related to its water services have been recorded by the licensee within the audit period. Therefore, this obligation cannot be rated 	<ul style="list-style-type: none"> Interviews with licensee staff Review of sewerage scheme complaints registers 2011, 2012 and 2013 	NR
2012/13	Schedule 3 Clause 3.9 (b)	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.	5	<ul style="list-style-type: none"> The Manager of Development Services is responsible for management of the water service and is authorised to respond to complaints. The Shire CEO is ultimately responsible for ensuring that complaints are dealt with and would respond to complaints in the absence of the Manager development Services The Manager of Development Services has completed a number of training courses in complaints handling and customer service 	<ul style="list-style-type: none"> Interviews with licensee staff 	1
2012/14	Schedule 3 Clause 3.2 (d)	The licensee must provide an appropriate system to monitor and record the number, nature of and outcomes to complaints.	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
2012/16	Schedule 3 Clause 3.10	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.	4	<ul style="list-style-type: none"> Section 2.9 of the licensee's Customer Service Charter informs customers that a disputed complaint may be referred to the Department of Water As no complaints relating to the water service have been received in the audit period it is not possible to test other ways that the licensee may inform customers. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Customer Service Charter Review of sewerage scheme complaints 	1

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
					registers 2011, 2012, 29013 and 2014	
2012/17	Schedule 3 Clause 3.6	The licensee must co-operate with the Department of Water's request for information concerning a disputed complaint.	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
2012/18	Schedule 3 Clause 3.7	The licensee must, on request, provide complaints details to the Department of Water.	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
2012/19	Clause 7.1	The licensee must establish a Customer Service Charter as set out in Schedule 3.	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 is Version 3 and was revised in 2014. The version before this was revised in 2011. The latest version of the Customer Service Charter was not approved by the Authority given that the regulatory framework was in transition at this time. The Customer Service Charter in place in November 2013 when this obligation ceased to take effect was approved by the Authority. We observed correspondence from the Authority to the licensee regarding a 12 month extension to the review period for the Customer Service Charter 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Customer Service Charter Correspondence between Authority and licensee 	1
2012/20	Schedule 3 Clause 2.5	<p>The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence.</p> <p>(a) By prominently displaying it in those parts of the licensee's offices to which customers regularly have access</p>	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. Licensee staff noted that the Customer Service Charter was displayed in the office for the period that this obligation was in effect but was removed when the framework changed. 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 	<ul style="list-style-type: none"> Interviews with licensee staff Access to Shire's website Inspection of Shire's offices 	2

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	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.		effect. We consider this a minor non-compliance but note that this obligation is no longer in effect.		
2012/21	Schedule 3 Clause 2.6 or 2.7	The licensee must review its Customer Service Charter at least once in every three year period.	5	<ul style="list-style-type: none"> ▪ The current version of the Customer Service Charter was revised in June 2014. The Charter was last revised in 2011 before this. The Charter was approved by the Authority on 28 November 2008. ▪ However, the new licence came into effect in November 2013 making this requirement no longer relevant. ▪ We observed correspondence from the Authority dated May 2012 to the licensee regarding a 12 month extension to the review period for the Customer Service Charter 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Review of Customer Service Charter 	1
2012/22	Schedule 3 Clause 2.7	The licensee must provide its services consistent with its Customer Service Charter.	4	<ul style="list-style-type: none"> ▪ The Customer Service Charter reflects the relevant conditions outlined in the licence. ▪ The Shire operates with the intention to provide services as outlined in the licence and in the Customer Service Charter. ▪ Processes are in place to guide the operation of the Shire's wastewater services to meet the requirements outlined in the Customer Service Charter and licence. ▪ We have seen no instances of where the licensee has provided its services inconsistent with the Customer Service Charter 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Review of Customer Service Charter ▪ Review of Shire processes for managing water service 	1
2012/23	Clause 8	The licensee must establish customer consultation processes as set out in Schedule 3.	4	<ul style="list-style-type: none"> ▪ 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. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	2

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> The licensee also hold monthly Council meetings where public question time is a fixed agenda item and is another forum for consultation and feedback. We consider that the above two items meet the requirements of Clause 4.1(b)(iii) of Schedule 3 of the Licence (Version 2). However, we do not consider that the licensee provided one of the other consultation mechanisms identified in clause 4.1(b). Therefore we consider that this constitutes a minor non-compliance. We note however that this obligation is no longer in effect and also that the licensee has a close working relationship with its community. 		
2012/24	Schedule 3 Clause 4.1	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.	4	<ul style="list-style-type: none"> As noted above, we consider that the licensee has not fully met the requirements of Schedule 3, Clause 4.1. We note however that this obligation is no longer in effect and also that the licensee has a close working relationship with its community. 	<ul style="list-style-type: none"> Interviews with licensee staff 	2
2012/25	Schedule 3 Clause 4.2	The licensee must consult the Authority on the type and extent of consultation to be adopted by the licensee.	4	<ul style="list-style-type: none"> There has been no change to the type and extent of the customer consultation that has been adopted by the Shire. The Authority approved the licensee's Customer Service Charter which sets out the type and extent of consultation that the licensee undertook. We consider that approval of the Customer Service Charter is sufficient to meet this obligation. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Customer Service Charter 	1
2012/26	Schedule 3 Clause 4.3	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.	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

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
2012/28	Schedule 3 Clause 4.5 Sewerage Licensee	The licensee must prior to making a major change to the operation of a water service hold a public meeting and seek written submissions.	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
2012/29	Schedule 3 Clause 4.6 LGA sewerage providers	The licensee must allow customers to raise matters of concern at public question time in accordance with the Local Government Act 1995.	4	<ul style="list-style-type: none"> Allowance for public question time is included at each monthly Council meeting We reviewed a sample of Council meeting minutes at audit 	<ul style="list-style-type: none"> Interviews with licensee staff Review of a sample of Council meeting minutes 	1
2012/32	Schedule 3 Clause 6	The licensee must conduct a customer survey if directed to by the Authority.	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
-	Schedule 6 Clause 2.1	The licensee must set out in writing its conditions for connection and make it available to people enquiring or applying for connection.	4	<ul style="list-style-type: none"> Section 2.7 of the licensee's Customer Service Charter sets out the conditions for connection. The Customer Service Charter is made available to people who enquire and also on the Shire's website 	<ul style="list-style-type: none"> Review of Customer Service Charter Interviews with licensee staff Testing of the Shire's website 	1
-	Schedule 6 Clause 2.2	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.	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

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
-	Schedule 6 Clause 2.3	The licensee may with the written agreement of the property owner discontinue a service where it is not commercially viable. ²¹	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)						
155	Clause 4	The licensee must pay the applicable fees in accordance with the Regulations.	5	<ul style="list-style-type: none"> The licensee has not been required to pay any applicable fees (as per Schedule 4 of the Water Service Regulations 2013) during the audit period. Therefore, this obligation cannot be rated 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Compliance (Clause 5)						
156	Clause 5.1	Subject to any modifications or exemptions granted pursuant to the Act, the licensee must comply with any applicable legislation.	4	<ul style="list-style-type: none"> The licensee's compliance with applicable legislation is tested in detail and summarised in this table. We have identified a number of non-compliances with applicable legislation as follows: <ul style="list-style-type: none"> Section 82 (4)&(5) – Notification and requirements as to building work (Obligation 17) Section 12 – Information reporting requirements (Obligation 166) 	<ul style="list-style-type: none"> Interviews with licensee staff Annual compliance reports This audit report 	2
Water Services Act 2012						
Requirements for Licences						
10	Clause 5.2	The licensee must comply with each code of practice made by the Minister to the extent to which it applies to the licensee.	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
Requirements for Licences						
11	Clause 5.3	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.	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) 	<ul style="list-style-type: none"> Interviews with licensee staff Annual compliance reports This audit report 	2

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> - Clause 18(2) – Procedure for review of bills (Obligation 114) - Clause 21(1) – Payment methods (Obligation 119) - Clause 35(1)&(2) – Complaints procedure (Obligations 145 and 146) - Clause 37(1) – Information to be publically available (obligation 153) 		
159	Clause 5.4	The licensee must comply with a direction from the Authority in relation to a breach of applicable legislation.	4	<ul style="list-style-type: none"> ▪ The licensee received a Notice under Section 39 of the Water Services Licensing Act following its previous asset management system review. This Notice was for failing to comply with Section 36(2) of the Water Services Licensing Act ▪ The Notice required the licensee to take appropriate measures rectify deficiencies in its asset management system by 31 December 2013 ▪ The licensee's response to addressing the observed deficiencies was reviewed in February 2014 (Report on the Shire of Moora Response to Economic Regulation Authority's Section 39 Notice of Contravention of Sewerage & Non-Potable Water Supply, Operating Licence No.23, Barry Robbins Engineering and Project Management). This review found that 17 of the observed deficiencies had been resolved, two deficiencies had been mainly resolved, three deficiencies had been partly resolved and one deficiency was still outstanding. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Review of Report on the Shire of Moora Response to Economic Regulation Authority's Section 39 Notice of Contravention of Sewerage & Non-Potable Water Supply, Operating Licence No.23 ▪ Review of correspondence between Authority and licensee 	1
13	Section 36	<p>Provision of a water service ceasing — duty to leave system in safe condition</p> <p>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</p>	4	<ul style="list-style-type: none"> ▪ The licensee advised that it has not ceased to provide a water service during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	NR

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
		except with the approval of the Minister.				
16	Section 77(3)	<p>Interruption of water services</p> <p>The licensee must take reasonable steps to minimise the extent or duration of any interruption of water services it is responsible for.</p>	4	<ul style="list-style-type: none"> The licensee has in place appropriate asset management practices to minimise the extent or duration of any interruption of its water services. We discuss asset management practices further in the second section of this report. Interruptions are predominantly due to blockages in the sewerage network. These are reported to the supervisor via customer contact or internally. The licensee has available to it a jetting unit and vacuum truck to assist with the clearance of blockages and managing interruptions. Interruptions may also be caused by repair works on the network. The licensee consults customers before works are undertaken. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of asset management system 	1
17	Sections 82(4) & (5)	<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.</p> <p>The licensee must do this within 7 days of receiving the fee for dealing with the notification.</p>	4	<ul style="list-style-type: none"> As a local government, the licensee is responsible for managing development approvals. Notice of any building work is provided to the licensee through its Application for Planning Approval Form and Application for Building Permit. The 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 uncertified or 14 days if the buildings plans are certified. The Regulation 20 under the Building Act 2011 prescribes that uncertified plans are to be approved in 10 days and certified plans within 25 days. The timeframe for returning plans in the Act is more strict than required by Regulation 20 under the <i>Building Act 2011</i>. Because the licensee has aligned its approvals process with the <i>Building Act 2011</i>, it does not comply with this obligation. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Application for Planning Approval Form Review of Application for Building Approval Form Building Application Checklist 	2

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> We consider this a minor non-compliance as the <i>Building Act 2011</i> is the primary legislation in this area. 		
18	Section 84(2)	<p>Ensuring water service works are done</p> <p>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.</p>	4	<ul style="list-style-type: none"> The licensee has not had need to provide a notice of this kind during the audit period. Therefore, this obligation is unable to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
19	Section 87(2)	<p>Review of certain decisions under or relating to Development and building control, and infrastructure contributions</p> <p>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.</p>	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
20	Section 90(7)	<p>Construction etc. over or in vicinity of water service works of licensee</p> <p>If the licensee gives a compliance notice to a person who is undertaking construction or carrying out</p>	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

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
		similar works in the vicinity of water service works, the licensee must, to the extent practicable, consult with the owner of the land on which the obstruction is located or the activity is taking place if the person to be given the notice is not the owner of the land.				
21	Section 95(3)	<p>Disconnection or reduction in rate of flow etc.</p> <p>The licensee cannot cut off the supply of water to an occupied dwelling unless the occupier agrees to that.</p>	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
22	Section 96(1)	<p>Fire hydrants</p> <p>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.</p>	4	<ul style="list-style-type: none"> The licensee does not provide water supply reticulation works to fire hydrants. Therefore, this obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
23	Section 96(5)	<p>Fire hydrants</p> <p>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.</p>	5	<ul style="list-style-type: none"> The licensee does not provide water supply reticulation works to fire hydrants. Therefore, this obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
24	Section 98(3)	<p>Minister may require connection to sewerage works</p> <p>If required to by the Minister, the licensee must connect a wastewater inlet on land to the sewerage works of the licensee.</p>	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
25	Section 106(2)	<p>Tradewaste Compliance Notice</p> <p>The licensee must include the information specified in a compliance notice given in relation to failure to maintain fittings, fixtures and pipes.</p>	4	<ul style="list-style-type: none"> The licensee does not regulate trade waste discharges to its sewerage reticulation system. This is because the system receives predominantly residential and commercial discharges. The industrial areas in town are serviced by septic systems. Therefore, this obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
28	Section 119(2)	<p>Compliance Notices</p> <p>The licensee must include the information specified in a compliance notice given in relation to the matters set out in section 119(1).</p>	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
29	Section 122(2)	<p>Review of decision relating to giving compliance notices</p> <p>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.</p>	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 able to be rated 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
30	Section 125(2)	<p>Supplying groups of dwellings</p> <p>If the licensee provides a water supply, sewerage or drainage service to 2 or more dwellings on land by a single</p>	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

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
		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.				
31	Section 128(4)	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.	4	<ul style="list-style-type: none"> The licensee advised that it has not lodged any memorials with the Registrar during the audit period. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
32	Section 129(5)	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.	4	<ul style="list-style-type: none"> The licensee is aware of its obligation to provide 48 hours notice of a proposed entry. However, it has not had to provide 48 hours notice entry during the audit period as it has been able to mutually agree entry times with the occupier. 	<ul style="list-style-type: none"> Interviews with licensee staff 	1
33	Section 139(3)	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.	4	<ul style="list-style-type: none"> The licensee is aware of its obligation to provide affected parties notice if it removes or erects a fence or gate. Where possible, the licensee provides written notice of any potential disruptions and this will typically be followed up by in person visits. We are satisfied that the licensee has met the requirements of this obligation. 	<ul style="list-style-type: none"> Interviews with licensee staff 	1

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
34	Section 141(1)	<p>Special provisions applicable to road works</p> <p>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.</p>	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 one major road. Therefore this clause is generally not applicable. The exception is the short sections of State controlled road that coincide with the sewerage network. There are well established procedures for communication between the licensee and that State road authority regarding works. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
35	Sections 142	<p>Prerequisites to provision of major works</p> <p>The licensee must comply with sections 143 and 144 of the Act in relation to the proposed major works, and has given any notice required under section 148.</p>	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
36	Sections 143 (2)	<p>Licensee to prepare plans and publish and give notice of major works</p> <p>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.</p>	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
37	Sections 143 (3)	<p>Licensee to prepare plans and publish and give notice of major works</p> <p>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</p>	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

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
		section 143(4) to the persons and agencies specified.				
38	Sections 144(3)	<p>Objections and submissions</p> <p>The licensee must have regard to an objection or submission lodged within the relevant period.</p>	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
39	Section 145(2)	<p>Licensee may amend proposal</p> <p>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.</p>	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
40	Section 147(3)	<p>Powers of Minister in respect of proposal</p> <p>The licensee must comply with a direction given by a Minister in respect of a proposal to provide water service works that are major works under section 143(3).</p>	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
41	Section 147(4)	<p>Powers of Minister in respect of proposal</p> <p>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.</p>	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
42	Section 151(1)	<p>Licensee to prepare plans and give notice of general works</p>	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 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
		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.		<ul style="list-style-type: none"> 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"> Review of Works Register Review of drawings 	
43	Section 151(2)	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.	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
44	Section 152(3)	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).	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
45	Section 153(3)	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 person who is likely to be adversely affected by those alterations.	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
46	Section 166(5)	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	4	<ul style="list-style-type: none"> The licensee has not been required to take an interest in land under the Act. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
		licensee is required to acquire the interest.				
47	Section 166(6)	Any costs incurred in taking an interest in land are to be paid by the licensee.	4	<ul style="list-style-type: none"> The licensee has not been required to take an interest in land under the Act. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
48	Section 170	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.	4	<ul style="list-style-type: none"> The licensee has not been required to take an interest in land under the Act. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
49	Section 173(4)	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.	4	<ul style="list-style-type: none"> Section 3.0 of the licensee's Customer Service Charter, which has been retained for information purposes to aid the licensee meet obligations under Clause 7 of the Water Services Code of Conduct (Customer Service Standards) 2013, sets out the licensee's powers in relation to entry of property. Further, the licensee has entry powers under other legislation that it may use if necessary. The licensee notes that it will almost always be able to be mutually agree entry with owners or occupiers where necessary. 	<ul style="list-style-type: none"> Interviews with licensee staff 	1
50	Section 174(1)	Notice of entry Notice of a proposed entry by the licensee must be in writing and must set out the purpose of the entry, including (if applicable) any work proposed to be carried out.	4	<ul style="list-style-type: none"> The licensee advised that it has not issued any entry notices during the audit period. Therefore, this obligation is not able to be rated 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
51	Section 174(3)	Even if in a particular instance the licensee may enter a place under the Act without having to give notice of proposed entry, the licensee must when practicable, and when it will not compromise the reason for entry, give notice of entry to the occupier.	4	<ul style="list-style-type: none"> The licensee advised that it has not issued any entry notices during the audit period. Nor was it able to identify instances where it would have been practicable to give notice of entry. The licensee notes that it rarely enters private property as any issues with the sewerage network within customer's properties will often be investigated by private plumbers at the instigation of the customer. This obligation is not able to be rated 	Interviews with licensee staff	NR
52	Section 175(2)	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.	4	<ul style="list-style-type: none"> Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. However no unconsented entries were made during the audit period. Therefore, this obligation is not able to be rated. Where customers report blockages, these are typically attended to by private plumbers. The plumbers then inform the licensee if the problem was due to its assets and the licensee then covers the costs of the blockage removal. The licensee notes that it will always strive to be courteous and respectful when dealing with customers. 	Interviews with licensee staff	NR
53	Section 175(5)	If the licensee enters a dwelling that is unoccupied, the licensee must leave a notice or a copy of the warrant (as applicable) in a prominent position in the dwelling before leaving the dwelling.	4	<ul style="list-style-type: none"> Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. However no unconsented entries were made during the audit period. Therefore, this obligation is not able to be rated. 	Interviews with licensee staff	NR
54	Section 176(1)	When authorised person must leave etc. 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	4	<ul style="list-style-type: none"> Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. However no unconsented entries were made during the audit period. Therefore, this obligation is not able to be rated. 	Interviews with licensee staff	NR

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
		occupier has refused or withdrawn their consent.				
55	Section 176(3)	The licensee must produce their certificate of authority if asked to do so, and must not perform, or continue to perform, a function under the Act until they are not able to do so.	4	<ul style="list-style-type: none"> Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. However no unconsented entries were made during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
56	Section 176(4)	If the licensee enters or proposes to enter a place, and the owner or occupier requests the licensee produce evidence of authority for that entry, then the licensee must leave the place if they are unable to do so unless the owner or occupier agrees otherwise.	4	<ul style="list-style-type: none"> Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. However no unconsented entries were made during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
57	Section 181	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.	5	<ul style="list-style-type: none"> The licensee advised that it has not received requests from owners or occupiers intended to limit its interference. Therefore, this obligation is not able to be rated. The licensee notes that it will always strive to be courteous and respectful when dealing with customers. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
58	Section 186	Contents of application If the licensee applies for a warrant, the application must contain the prescribed information.	4	<ul style="list-style-type: none"> The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
59	Section 187(1) – (3)	How application to be made If the licensee applies for a warrant to enter, the	4	<ul style="list-style-type: none"> The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
		application must be made in accordance with the procedures specified depending on the location of the applicant and the justice.				
60	Section 190(4)	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.	4	<ul style="list-style-type: none"> The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
61	Section 190(5)	On completing the execution of a warrant the licensee must record the prescribed information on that warrant.	4	<ul style="list-style-type: none"> The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
62	Section 210(5)	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 certificate of authority that includes certain prescribed information.	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
63	Section 218(2)	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	5	<ul style="list-style-type: none"> The licensee has not exercised a works power of power of entry under this act during the audit period. Therefore this obligation is not able to be rated. The licensee has a strong customer focus and strong connection with its customers which provides assurance that it would comply with this obligation if tested. No complaints regarding the licensee's actions to deliver the water service have been received during the audit period. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
		little damage, harm or inconvenience is caused as is possible.				
64	Section 218(3)	If the licensee does any physical damage in the exercise of a works power or a power of entry, the licensee must ensure that the damage is made good, and pay compensation to the extent that it is not practicable to make good the damage.	4	<ul style="list-style-type: none"> The licensee has not exercised a works power of power of entry under this act during the audit period. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Water Services Regulations 2013						
74	Regulation 60(2)	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.	4	<ul style="list-style-type: none"> The licensee has not exercised a works power in a road during the audit period. Therefore this obligation is not able to be rated. The licensee has well established relationships and processes for liaising with other infrastructure owners. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
75	Regulation 63	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 reinstate and make good the road, and must take all reasonable measures to prevent that part of the road from being hazardous.	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 road that coincides with the sewerage network. The licensee is well aware of its obligations to reinstate and make good roads following works. The licensee advised that it has completed one item of works that has broken up the surface of a road. This was to repair a sewer with a significant vertical misalignment. The road was made good following the repair. 	<ul style="list-style-type: none"> Interviews with licensee staff 	1

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
		Compliance Notices				
89	Regulation 85	Compliance notices issued by the licensee must include a brief description of the possible consequences under the Act of not complying with the notice, and the rights of review under the Act in relation to the notice and who may apply for review.	4	<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
157	Clause 5.2	The licensee must comply with any code of practice made by the Minister to the extent it applies to the licensee.	4	<ul style="list-style-type: none"> Refer to observations detailed in Compliance Manual Obligation 10. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
158	Clause 5.3	The licensee must comply with any code of conduct made by the Authority to the extent it applies to the licensee and is not inconsistent with the terms and conditions of the licence.	4	<ul style="list-style-type: none"> Refer to observations detailed in Compliance Manual Obligation 11. 	<ul style="list-style-type: none"> Interviews with licensee staff 	2
		Water Services Code of Conduct (Customer Service Standards) 2013				
92	Clause 7	Information about connections The licensee must have written information for customers about the specified matters.	4	<ul style="list-style-type: none"> The Shire has in place a Sewerage Connections Policy and a Customer Service Charter. Together, these documents fulfil most of the requirements of this obligation. However, the following do not appear to be satisfactorily addressed: <ul style="list-style-type: none"> There is no statement about owners of land to which statutory water service charges apply being entitled to service as per section 73 of the Act There is no statement about the licensee having a duty to provide services as per section 21 of the act The regulations relating to Section 21(2)(c) 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Customer Service Charter 	2

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> The Sewerage Connections Policy and the Customer Service Charter is publically available on the licensee's website We consider that the extent of information not addressed in the Customer Service constitutes a minor non-compliance 		
93	Clause 8	<p>Minimum performance standards for standard water supply connections</p> <p>The licensee must ensure that, in any 12 month period, 90% of connections are completed before the end of 10 business days, starting on the day on which the customer has paid the relevant fees and complied with the relevant requirements.</p>	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
94	Clause 9	<p>Bills other than for quantities supplied, discharged</p> <p>The licensee must issue a bill for non-quantity charges to each customer at least once in every 12 month period.</p>	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
95	Clauses 10(2)	<p>Bills for quantities supplied, discharged</p> <p>The licensee must issue a bill for usage to each customer at least once in every 6 month period.</p>	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
96	Clauses 10(3)	<p>The licensee must ensure a bill for usage is based on a meter reading to ascertain the quantity supplied or discharged.</p>	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

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
97	Clause10(4)	If an accurate meter reading is not possible, a bill for usage must be based on an estimation (in accordance with the prescribed regulations) of the quantity of water supplied or waste water discharged.	4	<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
98	Clause 10(5)	If an accurate meter reading is not possible and there are no applicable regulations, a bill for usage must be based on a reasonable estimate of supply or discharge using one of the prescribed methods.	4	<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
99	Clause 11	<p>Sending bills</p> <p>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.</p>	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
103	Clause 13(1)	<p>Estimates: licensees' obligations</p> <p>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.</p>	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
104	Clause 13(2)	The licensee must make any adjustments to the next bill to take into account the extent to which the estimate was not reasonable having regard to	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

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
		a subsequent and accurate meter reading.				
105	Clause 14(1)	<p>Requested meter readings, revised bills: licensee's obligations</p> <p>The licensee must provide to the customer on request a meter reading and a bill in in the prescribed circumstances.</p>	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
106	Clause 15	<p>Leaks</p> <p>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.</p>	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
107	Clause 16(2)	<p>Undercharging in bills</p> <p>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.</p>	4	<ul style="list-style-type: none"> The licensee's charging is based on property valuation and a set rate (\$charge/\$land value) for residential and commercial properties. There are no usage charges. Undercharging could occur where a property valuation used as the basis for billing is found at a later date to be incorrect or if the wrong unit rate had been applied. However, the licensee advises that it uses the latest available property valuations available from the state valuer and would not retrospectively change the valuation. The licensee is not aware of any instances of where it has undercharged customers and has therefore not sought to recover undercharged amounts during the audit period. Therefore this obligation cannot be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
108	Clause 16(3)	An undercharged amount must be the subject of, and explained in, a special bill or	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 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

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

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> 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. 		
112	Clause 17(2)	The licensee must, in accordance with the customer's instructions, refund or credit the customer's account within 15 business days from starting on the day the licensee receives the instructions.	4	<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
113	Clause 18(1)	<p>Review of bills</p> <p>The licensee must review a bill on the customer's request.</p>	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
114	Clause 18(2)	The license must have a written procedure for the review of a bill on the customer's request.	4	<ul style="list-style-type: none"> The licensee does not have a written procedure for review of a bill The licensee has reviewed a number of bills during the audit period to the satisfaction of customers despite not having a written procedure. 	<ul style="list-style-type: none"> Interviews with licensee staff 	2
115	Clauses 18(3) & (6)	The review procedure in clause 18(2) must include the specified information and be publicly available.	4	<ul style="list-style-type: none"> The licensee does not have a written procedure and therefore is not compliant with this obligation 	<ul style="list-style-type: none"> Interviews with licensee staff 	2
116	Clause 18(4)	The review procedure must state that the customer may, but does not have to, use the licensee's complaints procedure mentioned in clause 35 before or instead of applying to the water services ombudsman or, if available, making an appeal from, or applying for a review or, the decision under regulations	4	<ul style="list-style-type: none"> The licensee does not have a written procedure and therefore is not compliant with this obligation 	<ul style="list-style-type: none"> Interviews with licensee staff 	2

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
		mentioned in section 222(2)(k) of the Act.				
117	Clause 18(5)	The licensee must inform the customer of the outcome of a review of the customer's bill as soon as practicable or otherwise less than 15 business days from the day the customer's request for review was received.	4	<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. 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
118	Clause 20	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.	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
119	Clause 21(1)	Payment methods The licensee must allow a customer to pay a bill using any of the prescribed methods selected by the customer.	4	<ul style="list-style-type: none"> The Licensee accepts payments by all the prescribed methods except for direct debit This is a minor non-compliance as customers have multiple other ways to pay a bill We reviewed a sample bill which we noted provided all the information necessary to make payment by the prescribed methods except for direct debit. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of example bill 	2
120	Clause 21(2)	The licensee must, when offering bill payment method options, inform the customer of the fees and charges (if any) associated with each bill payment method offered.	4	<ul style="list-style-type: none"> The license does not apply any additional fees and charges to different payment methods 	<ul style="list-style-type: none"> Interviews with licensee staff 	1
121	Clause 22	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	4	<ul style="list-style-type: none"> The licensee does not accept payment by direct debit therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
		the account to be debited and of the customer or an adult person nominated by the customer, to do so.				
122	Clause 23(1)	Payment in advance The licensee must accept payment in advance from a customer on a customer's request.	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
123	Clause 24	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.	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 There were no requests for redirection recorded in the audit period therefore this obligation is not able to be rated 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Financial Hardship Policy 	NR
124	Clause 25	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.	4	<ul style="list-style-type: none"> The licensee allows customers to pay bills under a payment plan or other arrangement Information on payment plans is set out in its Financial Hardship Policy 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Financial Hardship Policy 	1
125	Clauses 26(1) & (2)	Financial hardship policy The licensee must have a written policy in relation to financial hardship that is approved by the Authority.	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 	1

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
					approving the Policy	
126	Clause 26(3)	If the licensee's licence was in place before the commencement of the Act, the licensee must have a financial hardship policy before the end of the 6 month period starting on the day on which section 27 of the Act comes into effect.	4	<ul style="list-style-type: none"> The licensee had in place a licence before commencement of the Act (version 2 of its licence which commenced in May 2009) and a new version of its licence came into effect on the same day that the Act came into effect. Therefore the licensee was required to have a financial hardship policy before the end of the 6 month period starting on the day on which section 27 of the Act comes into effect. 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 approved by the Authority on 16 May 2014 and therefore complied with this obligation. 	<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
127	Clause 26(4)	If the licensee's licence was granted after the day on which the Act came into effect, the licensee must have a financial hardship policy within 6 months of the day of the grant of the licence.	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
128	Clause 26(5)	The licensee's financial hardship policy must be publicly available.	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
129	Clauses 26(6)	The licensee must review its financial hardship policy at least once in every 5 year period and, as part of the review process, consult with relevant consumer organisations.	4	<ul style="list-style-type: none"> The licensee's Financial Hardship Policy was approved in May 2014 and therefore needs to be reviewed before May 2019. Therefore, this obligation cannot be rated for the audit period. 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

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
130	Clause 27(2)	<p>Assistance for customers experiencing financial hardship</p> <p>The licensee must allow a customer experiencing financial hardship to pay a bill under an interest-free or fee-free payment plan other arrangement under which the customer is given more time to pay the bill or to pay arrears.</p>	4	<ul style="list-style-type: none"> The licensee allows customers to pay bills under a payment plan or other arrangement that does not incur interest or fees Information on payment plans is set out in its Financial Hardship Policy 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Financial Hardship Policy 	1
131	Clause 27(3)	<p>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.</p>	4	<ul style="list-style-type: none"> The licensee does consider writing off amounts owed to it in certain circumstances. Approval for writing off amounts owed must be given by the Council, officers are not authorised to do so. The licensee reports that amounts owed are written off from time to time The information required to be provided under clause 27(3)(c) is included in the licensee's Financial Hardship Policy 	<ul style="list-style-type: none"> Interviews with licensee staff Financial Hardship Policy 	1
132	Clause 28(1)	<p>Matters relating to customers experiencing payment difficulties or financial hardship</p> <p>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.</p>	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
133	Clauses 28(4) & (5)	<p>The licensee must have publicly available written information regarding the payment plans,</p>	4	<ul style="list-style-type: none"> This information is available in the licensee's Financial Hardship Policy 	<ul style="list-style-type: none"> Interview with licensee staff 	1

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
		arrangements and other assistance that is available to customers.		<ul style="list-style-type: none"> The Financial Hardship Policy is publically available on the licensee's website 	<ul style="list-style-type: none"> Review of Financial Hardship Policy Access to the licensee's website 	
134	Clause 29	<p>No debt collection in certain cases</p> <p>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.</p>	4	<ul style="list-style-type: none"> The licensee does not collect debts where a customer is in a payment arrangement 	<ul style="list-style-type: none"> Interviews with licensee staff 	1
139	Clause 33	<p>Water flow not to be reduced below minimum rate</p> <p>The licensee must not reduce the rate of flow of water to a customer to below 2.3 litres each minute.</p>	4	<ul style="list-style-type: none"> The licensee does not provide a potable water supply service. Therefore this obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
142	Clauses 34(4)	<p>Minimum performance standards for restoration of water supply</p> <p>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.</p>	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
144	Clauses 34(6)	<p>The licensee (other than the Water Corporation) must ensure that there is a 90%</p>	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 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
		compliance rate with clause 34(4) in any 12 month period ending on 30 June.		restoration timeframes and therefore the specified timeframes are not relevant. Therefore, this obligation is not applicable.		
145	Clauses 35(1)	<p>Procedure for dealing with complaints about water services</p> <p>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.</p>	4	<ul style="list-style-type: none"> The licensee's Customer Service Charter details how it receives and responds to complaints Complaints may be received by telephone, in person at the Shire's customer service centre or via a webform on the licensee's website. The licensee has in place important parts of a complaints handling procedure. However, the complaints procedure is not fully documented We consider that this constitutes a moderate non-compliance 	<ul style="list-style-type: none"> Interviews with licensee staff 	3
146	Clause 35(2)	The licensee's complaints procedure must be developed using as minimum standards the relevant provisions of the AS ISO 10002-2006 and the Authority's guidelines (if any).	4	<ul style="list-style-type: none"> The main components of a complaints procedure under AS ISO1002-2006 (now superseded by the 2014 version) are: <ul style="list-style-type: none"> Commitment Supporting policy and procedures Defined responsibilities Staff awareness The licensee displays commitment to managing complaints observed through discussion with its staff. It also has some processes in place, for example a complaints recording form. However, it does not have in place a procedure and defined responsibilities for responding to and resolving complaints. We consider that as above this constitutes a moderate non-compliance. 	<ul style="list-style-type: none"> Interviews with licensee staff 	3
147	Clauses 35(3)	The licensee's complaints procedure must provide for the matters specified in relation to lodgement of complaints, responding to complaints, dispute resolution arrangements and resolving complaints.	4	<ul style="list-style-type: none"> The licensee's complaints processes does not fully cover these areas. We consider this to be a moderate non-compliance. 	<ul style="list-style-type: none"> Interviews with licensee staff 	3

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
148	Clauses 35(4)	<p>The licensee's complaints procedure must inform the customer that they</p> <ul style="list-style-type: none"> ▪ do not have to use the licensee's complaints procedure, ▪ provide details of procedures under the Act, and ▪ set out the costs and benefits to the customer if the use the complaint resolution procedure or instead of the procedures under the Act. 	4	<ul style="list-style-type: none"> ▪ The licensee's complaints procedure does not cover these areas. We consider this to be a moderate non-compliance. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	3
149	Clauses 35(6)	The licensee's complaints procedure must be publicly available.	4	<ul style="list-style-type: none"> ▪ The licensee does not make its complaints procedure required under Clause 35 available publically. We consider this to be a moderate non-compliance. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	3
150	Clause 36(1)	<p>Services to be provided without charge</p> <p>The licensee must provide a customer with the specified services on request and at no charge.</p>	4	<ul style="list-style-type: none"> ▪ The licensee makes these services available to customers at no charge. ▪ The licensee has in place a disability access and inclusion plan ▪ We have witnessed that many of the licensee's documents, e.g. the Financial Hardship Policy, include accessibility information 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Disability access and inclusion plan ▪ Financial Hardship Policy 	1
152	Clause 36(2)	The licensee must make available to each customer the customer's personal account information.	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
153	Clause 37(1)	<p>Information to be publicly available</p> <p>The licensee must make the prescribed information publicly available.</p>	4	<ul style="list-style-type: none"> ▪ The licensee makes the required information publically available as follows: <ul style="list-style-type: none"> (a) Fees and charges are publically available on the licensee's website in the annual budget (b) Bill payment methods are available on the customer's bill. We consider that the bill is a private document between the licensee and existing 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Disability access and inclusion plan ▪ Financial Hardship Policy 	2

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
				<p>customers and therefore this obligation has not been met. We note however that customers constitute that largest, and most significantly important, group that is interested in this information. We consider that this is a minor non-compliance.</p> <p>(c) Exemptions, rebates and discounts are on the customer's bill. We consider that the bill is a private document between the licensee and existing customers and therefore this obligation has not been met. We note however that customers constitute that largest, and most significantly important, group that is interested in this information. We consider that this is a minor non-compliance.</p> <p>(d) The licensee's Financial Hardship Policy notes that customers can contact the Shire through the National Relay Service, Speak and Listen phone service or with assistance from the National Interpreter Service. We note however that the licensee does not make reference to large-print services in publically available information and therefore consider that this is a minor non-compliance. The licensee does however offer this service.</p> <p>(e) Authorised person powers – not applicable as the licensee does not have meters connected to its water service</p> <p>(f) Not applicable</p> <p>(g) Not applicable</p> <p>(h) Not applicable</p> <p>(i) Not applicable</p> <p>(j) Not applicable</p> <p>(k) Not applicable</p> <p>(l) Not applicable</p>		
Accounting Records (Clause 12)						

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
160	Section 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.	5	<ul style="list-style-type: none"> Accounting records are prepared in accordance with AASB standards. Financial records are included in the Shires' annual reports and are published on the internet. The financial statement includes a sign-off from the independent auditor and the Shire's CEO that the financial report complies with the Australian Accounting Standards and the provisions of the Local Government Act 1995 and the regulations under that Act related to Financial Management. The licensee also makes available on its website draft and final budget information and has in the past provided monthly financial updates publically. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of financial statements in annual reports 	1
Individual Performance Standards (Clause 13)						
161	Section 12	The licensee must comply with any individual performance standards prescribed by the Authority.	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)						
9	Section 25	The licensee, must, unless otherwise notified in writing by the Authority, provide the Authority with an operational audit within 24 months after the commencement date, and every 24 months thereafter.	5	<ul style="list-style-type: none"> The licensee is currently subject to operational audits at 36 month intervals and this was confirmed by the Authority in writing at the completion of the last audit. The last operational audit was undertaken in 2011 by Quantum Assurance (report prepared in February 2012) which covered the period from 1 December 2008 to 30 November 2011. The next operational audit (this audit) covers the period from 1 December 2011 to 30 November 2014. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of previous operational audit report (Quantum Assurance, February 2012) 	1
162	Section 12	The licensee must cooperate with the independent expert and comply with the Authority's standard audit guidelines dealing with the operational audit.	4	<ul style="list-style-type: none"> The current operational audit follows the ERA Audit Guidelines – Electricity, Gas and Water Licences (August 2010) and 2014 Audit and Review Guidelines - Water Licences – Final (July 2014) The audit has been conducted following the audit plan prepared in accordance with the guidelines and approved by the Authority. 	<ul style="list-style-type: none"> Interviews with licensee staff 	1

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> The licensee has complied with all requests for information made by the auditor and has made its staff and resources freely available to assist the conduct of this audit. The licensee's staff have acted in a professional and helpful manner throughout this audit. 		
Reporting a Change in Circumstance (Clause 15)						
163	Section 12	The licensee must report to the Authority, in the manner prescribed, if a licensee is under external administration or there is a material change in the circumstances upon which the licence was granted which may affect a licensee's ability to meet its obligations.	4	<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
164	Section 12	The licensee must report to the Authority within 10 business days of providing or undertaking water service works that are major works or general works.	4	<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)						
165	Section 12	The licensee must provide the Authority any information that the Authority may require in connection with its functions under the Act in the time, manner and form specified by the Authority.	4	<ul style="list-style-type: none"> The licensee has generally provided the required information to the Authority. One exception for failing to provide a compliance report for 2012/13 is noted at obligation 166 and this is noted as a non-compliance there. This failure to provide a report constitutes a non-compliance under this clause also. 	<ul style="list-style-type: none"> Interviews with licensee staff 2013/14 Compliance Report 	2
166	Section 12	The licensee must comply with any information reporting requirements prescribed by the Authority, including but not limited to the provisions of the Water Compliance	4	<ul style="list-style-type: none"> The licensee did not provide a compliance report to the Authority for 2012/13. We consider this to be a minor non-compliance. 	<ul style="list-style-type: none"> Interviews with licensee staff 2013/14 Compliance Report 	2

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
		Reporting Manual that apply to the licensee.				
167	Section 12	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.	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)						
168	Section 12	Subject to clause 17.3, the licensee must publish within the specified timeframe any information that the Authority has directed the licensee to publish under clause 17.1.	4	<ul style="list-style-type: none"> The Authority has not directed the licensee to publish information related to this obligation. Therefore the obligation cannot be rated. Note that publication of the Financial Hardship Policy followed timing under legislation, not at the Authority's direction. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Notices (Clause 18)						
169	Section 12	Unless otherwise specified, all notices must be in writing.	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)						
170	Section 12 Licence Clause 20.1	The licensee must provide for, and notify the Authority of, an asset management system within the specified time unless otherwise notified by the Authority.	4	<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 	NR
171	Section 12, Licence Clause 20.2	The licensee must notify the Authority of any material change to the asset management system within	5	<ul style="list-style-type: none"> The licensee has made significant improvements to its asset management system following the identification of a number of deficiencies at the previous review which resulted in the issuance of a Section 39 Notice. 	<ul style="list-style-type: none"> Interviews with licensee staff Revised asset management plan and 	2

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
		10 business days of the change.		<ul style="list-style-type: none"> Also, the licensee has taken over responsibility for operation and maintenance of the water service assets for Water Corporation. We consider that the above constitute a material change of circumstances. There has been correspondence between the Shire and the Authority regarding the Shire's asset management system, particularly with respect to the Section 39 Notice. However, we did not identify that the licensee had provided the Authority with notice of the changes to its asset management system within 10 business days and that this therefore constitutes a non-compliance 	<ul style="list-style-type: none"> supporting documents Section 39 Review Report, February 2014 	
172	Section 12, Licence Clause 20.6	The licensee must cooperate with the independent expert and comply with the Authority's standard guidelines dealing with the asset management system review.	4	<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
6	Sections 24(1)(a) & 24(2)	The licensee must have an asset management system that provides for the operation and maintenance of the water service works.	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. A review of this asset management system has been completed at the same time as this operational audit and the outcomes are presented in a later section of this report. 	<ul style="list-style-type: none"> Interviews with licensee staff Asset management plan Weekly operator checklist Maintenance and operations procedures Supporting tools 	1
7	Section 24(1)(b)	The licensee must give details of the asset management system and any changes to it to the Authority.	5	<ul style="list-style-type: none"> The licensee provided details of the asset management system at the time of its licence application. There have been no changes to the system during the audit period. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
				Therefore, this obligation is not able to be rated for the audit period.		
8	Section 24(1)(c)	A licensee must provide the Authority with a report by an independent expert as to the effectiveness of its asset management system every 24 months, or such longer period as determined by the Authority.	5	<ul style="list-style-type: none"> An asset management system review was conducted by Barry Robbins Engineering & Project Management in July 2013 (report dated 7 August 2013), which covered the period from 1 December 2011 to 31 May 2013. The licensee received a Notice under Section 39 of the Water Services Licensing Act following this previous asset management system review. This Notice was for failing to comply with Section 36(2) of the Water Services Licensing Act The Notice required the licensee to take appropriate measures rectify deficiencies in its asset management system by 31 December 2013 The licensee's response to addressing the observed deficiencies was reviewed in February 2014 (Report on the Shire of Moora Response to Economic Regulation Authority's Section 39 Notice of Contravention of Sewerage & Non-Potable Water Supply, Operating Licence No.23, Barry Robbins Engineering and Project Management). This review found that 17 of the observed deficiencies had been resolved, two deficiencies had been mainly resolved, three deficiencies had been partly resolved and one deficiency was still outstanding. This asset management review covers the period 1 June 2013 to 30 November 2014. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of previous asset management review report Review of Section 39 Notice Review of report on response to Section 39 notice 	1
Water Services Ombudsman Scheme (Clause 21)						
173	Section 12	The licensee must not supply water services to customers unless the licensee is a member of and bound by the water services ombudsman scheme.	4	<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
15	Section 66	Licensees who are required to be a member of the water services ombudsman scheme agree to be bound	4	<ul style="list-style-type: none"> The licensee has agreed to be bound by and compliant with any decision or direction of the Ombudsman 	<ul style="list-style-type: none"> Interviews with licensee staff Correspondence 	1

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
		by, and compliant with, any decision or direction of the water services ombudsman under the scheme.		<ul style="list-style-type: none"> No complaints concerning the licensee have been referred to the Ombudsman during the audit period 	<ul style="list-style-type: none"> Complaints register 	
Standard Terms & Conditions of Service (Clause 22)						
174	Section 12	Subject to the Act and the terms of a customer contract that apply to the water service, the licensee must supply water services in accordance with the terms and conditions set out in Schedule 4 (if any).	4	<ul style="list-style-type: none"> There are no Standard Terms and Condition of Service that apply to the licensee. This obligation is not applicable. The licensee seeks to provides its services in accordance with the Act and other legislation including the Local Government Act 1995 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Customer Contract (Clause 23)						
175	Section 12	If directed by the Authority, the licensee must submit a draft customer contract for approval.	5	<ul style="list-style-type: none"> The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation is therefore not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
176	Section 12	The licensee must comply with any Customer Contract Guidelines that apply to the licensee.	5	<ul style="list-style-type: none"> The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
177	Section 12	The licensee may only amend the customer contract with the Authority's approval.	5	<ul style="list-style-type: none"> The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
178	Section 12	The licensee must comply with any direction by the Authority to amend the customer contract.	5	<ul style="list-style-type: none"> The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Non Standard Terms & Conditions of Service (Clause 24)						
179	Section 12	Unless clause 24.3 applies, the licensee cannot enter into	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 	<ul style="list-style-type: none"> Interviews with licensee staff 	1

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
		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.		restrict the terms and conditions of the licence or the requirements of the Customer Services Code.		
180	Section 12	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.	4	<ul style="list-style-type: none"> The licensee has not entered into any agreements with customers to provide water services that exclude, modify or restrict the terms and conditions of the licence or the requirements of the Customer Services Code. This obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Supplier of Last Resort (Clause 25)						
181	Section 12	If the licensee is appointed as the supplier of last resort for a designated area, the licensee must perform the functions of a supplier of last resort, comply with the duties imposed by the Act and carry out its operations under or for the purpose of the last resort plan in accordance with the Act.	4	<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
14	Section 60	If the licensee is the supplier of last resort for a designated area, the licensee must perform the functions of the supplier of last resort and must comply with the relevant duties and carry out the relevant operations prescribed.	4	<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

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
Duties of the Licensee (Clause 26)						
12	Section 29	The licensee must comply with the duties imposed on it by the Act in relation to its operations in respect of the licence in accordance with the Act.	4	<ul style="list-style-type: none"> ▪ The duties of the licensee are set out in Division 3 of the Act. The compliance of the licensee with these obligations has already been tested in this audit. ▪ A summary of the licensee's compliance with its duties under the Act is as follows: <ul style="list-style-type: none"> – Section 21: Must provide service – the licensee provides the water service required. See obligations 1, 2 and 3 – Section 22: Provision of service outside of operating areas – this obligation was not rated as there were no requests for services to be provided outside of the operating area. See obligation 4. – Section 23: Works holding – the licensee holds its works and therefore complies with this duty. See obligation 5. – Section 24: Asset Management System – the license has in place an effective asset management system. See obligations 6 – 8 – Section 25: Operational audit – the licensee has conducted operational audits as required. See obligation 9 – Section 26: Compliance with code of practice: No code(s) of practice have been made and therefore this obligation cannot be rated. See obligation 10 – Section 27: Compliance with code of conduct: we have noted some non-compliances with the requirements of the Code of Conduct as summarised under obligation 11 ▪ We consider that overall, the licensee has demonstrated minor non-compliance with its duties under the Act. The non-compliances observed were in the area of compliance with the code of conduct. We found that the licensee either complied with all other obligations or that the obligations were not able to be rated. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ The findings of this audit report 	2
Provision of Water Services (Clause 27)						
1	Section 21(1)(a)	The licensee must provide a water service authorised by the licence to persons	5	<ul style="list-style-type: none"> ▪ The licensee provides sewerage services and non-potable water services under the Act 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	1

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
		entitled to the service under the Act, except to the extent otherwise provided for by the Act.		<ul style="list-style-type: none"> The sewerage service is available for connection in almost all residential areas of the town of Moora. The licensee's Customer Service Charter sets out the conditions of and process for connecting to its sewerage network. There is also information in the licensee's Sewerage Connections Policy. The licensee can enforce connection to its network if a new development is within 90m of the existing network. The non-potable water supply service is not available to customers. Land owners are not entitled to this service as they do not pay a water service charge for it. 	<ul style="list-style-type: none"> Review of Customer Service Charter Review of Sewerage Connections Policy Review of operating records Review of operating area map Inspection of assets 	
2	Section 21(1)(b)	The licensee must offer to provide a water service on reasonable terms, unless provision of the service is not financially viable or is otherwise not practicable, to persons within the operating area who are not entitled to the service under the Act.	4	<ul style="list-style-type: none"> The water service charges are determined annually by Council as part of its budgeting process. Council determines reasonable charges based on its costs to operate, maintain and renew the system. Water service charges are based on the rateable value of the land determined by the state valuer. The licensee advises that there have been no instances where it has discontinued providing a service because it has been not practicable or not financially viable. The sewerage network is limited to the extent of the Moora township. New developments are required to connect to the network if they are within 90m of the network. 	<ul style="list-style-type: none"> Review of annual budget 2013/14 and 2014/15 Interviews with licensee staff Review of Customer Service Charter Review of Sewerage Connections Policy 	1
3	Section 21(1)(c)	The licensee must provide, operate and maintain the water service works specified by the Authority in the licence.	4	<ul style="list-style-type: none"> The licensee has in place an effective asset management system for the operation and maintenance of its water service works. We have undertaken an asset management review at the same time as this operational audit and the findings of this review are presented later in this report. Prior to 1 January 2014 the water service works were operated and maintained by the Water Corporation. The Water Corporation used its own processes and systems to operate and maintain the assets. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of operating area map Inspection of assets Review of operation and 	1

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> The licensee now uses directly employed staff to operate and maintain its water service works. Responsibility for the sewerage reticulation system and sewage treatment plant rests with Development Services while Parks and Gardens are responsible for the recycled water assets. In practice though both departments work together to provide the service. We inspected the licensee's at the time of audit including most of its seven pumping stations, the treatment plant, the recycled water storage dam and reticulation assets and reticulation assets where visible, e.g. pit lids. 	maintenance records <ul style="list-style-type: none"> Review of licensee performance monitoring records, e.g. pump run hours 	
Provision of Water Services Outside Operating Area (Clause 28)						
182	Section 12	If the licensee provides a water service outside of the operating area the licensee must apply to amend the licence unless otherwise notified by the Authority.	4	<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
4	Section 22	The licensee must notify the Authority as soon as practicable before commencing to provide the water service outside of the operating area of the licensee.	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)						
5	Section 23	All water service works used by the licensee in the provision of a water service must be held by the licensee, or must be covered by an agreement whereby the licensee can operate the works so as to comply with its	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

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
		obligations, or must fit in to other prescribed categories under the Act.				
Hardship Policy (Clause 30)						
183	Section 12	The licensee must comply with the Authority's Financial Hardship Policy Guidelines as they apply to the licensee.	4	<ul style="list-style-type: none"> The licensee has prepared a Financial Hardship Policy with reference to the Authority's guideline and using the template provided by the Authority. The Financial Hardship Policy has been approved by the Authority. 	<ul style="list-style-type: none"> Review of Financial Hardship Policy Review of guidelines Review of correspondence from ERA approving Financial Hardship Policy 	1
Memorandum of Understanding (Clause 31)						
184	Section 12	The licensee must enter into a Memorandum of Understanding with the Department of Health as soon as practicable after the commencement date.	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
185	Section 12	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.	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
186	Section 12	The licensee must comply with the terms of the Memorandum of Understanding.	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 	NA

Compliance Manual Ref	Licence/ Code Clause/Section	Description	Priority	Observations	Evidence	Compliance Rating
					<ul style="list-style-type: none"> Inspection of assets 	
Performance Standards (Schedule 3)						
190	Section 9	The licensee must comply with the service and performance standards as set out in Schedule 3.	N/A	<ul style="list-style-type: none"> There are no performance standards specified in Schedule 3 of the licensee's license. This obligation is not applicable. 	<ul style="list-style-type: none"> Operating license 	NA

5.2 Asset management review effectiveness

The findings from the asset management system effectiveness review are summarised in

Table 5-1 Asset management system effectiveness review observations

Performance Areas	Observations	Evidence
Asset planning <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 Asset Management Plan has been revised since the time of the February 2014 Section 39 review to align with the effectiveness criteria in the Guideline. This means that it can be readily seen that the plan covers the key requirements ▪ The Asset Management Plan demonstrates that stakeholders including customers, Council and local businesses have been considered in its development. This is demonstrated through discussion on service levels, expected demand and operational considerations. ▪ 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. ▪ The plan includes an assessment of future population growth based on historical data. Stable to low population growth is forecast and this is expected to result in stable demand ▪ 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. ▪ The Shire has prepared a renewals model to determine the appropriate annuity ▪ 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. We suggest that the Shire consider adopting the drivers of renewals, growth and compliance in place of its existing drivers. ▪ The Shire has a risk management framework consistent with ISO31000. This is documented in its asset management plan ▪ The likelihood and consequence of asset failure have been assessed comprehensively and are set out in the section on Environmental Analysis ▪ The Shire's asset management planning has been continually improved since it took responsibility from Water Corporation. The asset management plan was last updated in January 2015. 	<ul style="list-style-type: none"> ▪ Shire of Moora Asset management Plan for Sewerage and Effluent Reuse Assets ▪ Asset failure risk assessment (Appendix K to AMP) ▪ Capital expenditure assessments described in AMP s1.11 ▪ Levels of Service in s1.2 of the AMP ▪ Asset Register including asset valuation ▪ 50 year capital investment plan (renewals) ▪ 10 year operating expenditure forecast (linked to Council budget)

Performance Areas	Observations	Evidence
<p>Asset creation/acquisition</p> <ul style="list-style-type: none"> ▪ Full project evaluations are undertaken for new assets ▪ Evaluations include all life-cycle costs ▪ Projects reflect sound engineering and business decisions ▪ Commissioning tests are documented and completed ▪ 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 procurement policies and budgeting process. ▪ Expenditure is subject to review through the annual budgeting process ▪ The Shire's capital expenditure is almost exclusively for renewals. Therefore, the need for the works is genuinely quite clear. ▪ The 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. ▪ An opportunity for improvement would be for the Shire to develop a simple expenditure justification template for each expenditure item and the completed templates could sit outside of the asset management plan to allow more regular updating. This template would cover: need for the expenditure, driver, options considered and cost assessment, description of preferred option, procurement process, timing for expenditure, etc. 	<ul style="list-style-type: none"> ▪ Shire of Moora Asset management Plan for Sewerage and Effluent Reuse Assets ▪ Asset Planning and Acquisition Form ▪ New Asset Registration Form ▪ Asset Condition and Performance Assessment Form ▪ Completed New Asset Registration Form for "Oil Pit" commissioned December 2014
<p>Asset disposal</p> <ul style="list-style-type: none"> ▪ Under-utilised and under-performing assets are identified as part of a regular systematic review process ▪ The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken ▪ Disposal alternatives are evaluated ▪ There is a replacement strategy for assets 	<ul style="list-style-type: none"> ▪ The Shire regularly inspects its facility assets, typically daily at the treatment plant. Any asset deficiencies of condition and performance are noted on the inspection sheet ▪ For its sewer network, the Shire has recently begun a regular CCTV inspection program. Because of the short length of the network, it plans to survey most of the network by the end of 2014/15 with a focus on known problem areas to begin with ▪ Other opportunities for assessment of the performance of assets include operational monitoring and sampling at the treatment plant and of recycled water quality ▪ Operational data such as pump station operating times and pump amps drawn are also monitored ▪ We consider that the above represents a thorough means for the Shire to identify and assess the reasons for the underperformance of assets ▪ 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 ▪ There are few examples of existing assets that are considered for disposal without being replaced. One example identified in the asset management 	<ul style="list-style-type: none"> ▪ Shire of Moora Asset management Plan for Sewerage and Effluent Reuse Assets ▪ Asset failure risk assessment (Appendix K to AMP) ▪ Asset inspection forms

Performance Areas	Observations	Evidence
	<p>plan is the Imhoff tank at the treatment plant which is not currently in use. The Shire has obtained a cost estimate for removal and disposal of the tank but is not planning to do this yet as it has assessed that it is not posing a health and safety risk or other risk.</p>	
<p>Environmental analysis</p> <ul style="list-style-type: none"> ▪ Opportunities and threats in the system environment are assessed ▪ Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved ▪ Compliance with statutory and regulatory requirements ▪ Achievement of customer service levels 	<ul style="list-style-type: none"> ▪ The Shire has identified statutory and regulatory requirements in its asset management plan. However, it makes reference to its former licence version (version 2, now Version 3) and the Water Services Licensing Act 1995 which was superseded by the Water Services Act 2012. ▪ We recommend that the asset management plan be updated to reflect the requirements of the new operating licence version and the new legislative framework. The operational audit has found that the Shire has not complied with all of its regulatory requirements. ▪ We recommend that the Shire prepare a compliance register based on the Authority's Compliance Report Manual to assist in keeping track of its statutory and regulatory obligations. The observations table in this audit report may be used as the basis for this. ▪ The Shire has completed a risk assessment for each of its asset types. The risk assessment considers the failure mode of each asset, existing controls relating to the failure, the risk of each failure, the adequacy of the controls, the assessed risk and documented mitigation and management strategies. We consider that this assessment provides the Shire with a robust understanding of its operating environment. ▪ The Shire has completed a SWOT analysis to assist in understanding the opportunities and threats in its environment. As the Shire is maturing in its asset management approach, there may be limited value in updating this for future. The Shire is likely to gain more value in concentrating on keeping its risk assessment up to date. 	<ul style="list-style-type: none"> ▪ Shire of Moora Asset management Plan for Sewerage and Effluent Reuse Assets ▪ Shire of Moora SWOT analysis (Appendix J to AMP) ▪ Asset failure risk assessment (Appendix K to AMP)
<p>Asset operations</p> <ul style="list-style-type: none"> ▪ Operational policies and procedures are documented and linked to service levels required ▪ Risk management is applied to prioritise operations tasks ▪ Assets are documented in an Asset Register including asset type, location, material, plans of components, an 	<ul style="list-style-type: none"> ▪ The Shire developed an asset register in 2014. This is also its financial asset register for valuation purposes. The asset register details asset quantities and attributes such as make, model, material, year installed etc. This spreadsheet is called "Works_Register" and is at the heart of the Shire's asset management approach. ▪ The Shire also maintains up to date electronic files in AutoCAD showing its sewer main and access chamber locations. This can be used to measure quantities relating to the sewerage network. ▪ As noted, CCTV survey of most of the sewer network will be completed by the end of 2014/15 	<ul style="list-style-type: none"> ▪ Shire of Moora Asset management Plan for Sewerage and Effluent Reuse Assets ▪ Works_Register spreadsheet for tracking planned and completed inspection, operation and maintenance tasks – dates, costs, etc. ▪ Inspection work procedures including: pump inspection, weekly sampling, maintenance and inspection for

Performance Areas	Observations	Evidence
<p>assessment of assets' physical/structural condition and accounting data</p> <ul style="list-style-type: none"> ▪ Operational costs are measured and monitored ▪ Staff resources are adequate and staff receive training commensurate with their responsibilities 	<ul style="list-style-type: none"> ▪ Operation and maintenance procedures are stored on the Shire's network drive for staff to access. The work forms relating to the operations and maintenance procedures are also appended to the asset management plan ▪ When an operational or maintenance activity is undertaken, it is recorded in the "Works_Register" against the asset. At our audit we reviewed the Works_Register spreadsheet and found that it was being routinely updated. The activity categories are: purchases, call outs, planned maintenance, needs work and exceedances. When activity is undertaken, relevant details are recorded. The spreadsheet system functions as both an asset database and works management system. ▪ The Shire uses the Synergy 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. ▪ In addition, the Works_Register is used to record costs against individual assets. The Shire acknowledges that this is not comprehensive but it is a useful tool for tracking costs and building up cost data to assist in future planning and assessing tenders. ▪ After resuming responsibility for the sewerage network, the Shire has appointed a Supervisor Sewerage Operations who is responsible for overseeing the assets and implementing the asset management plan. The Supervisor Sewerage Operations is supported by the Manager Development Services who has overall responsibility for the infrastructure. Other staff in the Shire assist in planning for, managing, operating and maintaining the assets. The Shire is increasing the capability in its staff to operate and manage the water service assets through formal training. 	<p>sewerage scheme, maintenance and inspection for reuse scheme</p> <ul style="list-style-type: none"> ▪ Pump station operating hours record sheet

Performance Areas	Observations	Evidence
Asset maintenance	<ul style="list-style-type: none"> ▪ Operation and maintenance procedures are stored on the Shire's network drive for staff to access. The work forms relating to the operations and maintenance procedures are also appended to the asset management plan. We reviewed a sample of procedures at audit as well as completed maintenance works records. ▪ Maintenance activities and their planned frequency are summarised in Section 6.1 of the Asset Management Plan ▪ As noted, when an operational or maintenance activity is undertaken, it is recorded in the "Works_Register" against the asset. At our audit we reviewed the Works_Register spreadsheet and found that it was being routinely updated. The activity categories are: purchases, call outs, planned maintenance, needs work and exceedances. When activity is undertaken, relevant details are recorded. The spreadsheet system functions as both an asset database and works management system. ▪ We note that the risk assessment referred to under Environmental Analysis makes reference to relevant maintenance tasks demonstrating that the Shire has considered risk in planning its maintenance ▪ As noted above, maintenance costs are tracked in Synergy and the Works_Register spreadsheet 	<ul style="list-style-type: none"> ▪ Shire of Moora Asset management Plan for Sewerage and Effluent Reuse Assets ▪ Works_Register spreadsheet for tracking planned and completed inspection, operation and maintenance tasks – dates, costs, etc. ▪ Inspection work procedures including: pump inspection, weekly sampling, maintenance and inspection for sewerage scheme, maintenance and inspection for reuse scheme ▪ Pump station operating hours record sheet ▪ Report on survey of lagoon sediment depth, August 2014
Asset management information system	<ul style="list-style-type: none"> ▪ The Shire's Asset management information system is based around the following components: <ul style="list-style-type: none"> – Policies, procedures, templates and records held in a directory structure on the Shire's network drive – The Works_Register spreadsheet which is both an asset database and simple system for tracking planned and routine operations and maintenance – The Synergy finance system which is the Shire's financial system for all of its activities including the sewerage scheme ▪ Transmission of data between the systems is typically manually and on an as needed basis which is appropriate for the scale of the Shire's activities. ▪ Access to the systems is governed by the Shire-wide access protocols. Users are required to log on to the network to gain access to the network drive. The Works_Register is stored in dedicated area on the network drive. The Synergy system has strict write and read access controls. ▪ The Shire's network drives are routinely backed up. In addition, a copy of the asset management system documents are stored locally on a USB drive for additional redundancy. 	<ul style="list-style-type: none"> ▪ Live demonstration of licensee's systems including network drive, Works_Register spreadsheet ▪ Works_Register spreadsheet for tracking planned and completed inspection, operation and maintenance tasks – dates, costs, etc.

Performance Areas	Observations	Evidence
Risk management	<ul style="list-style-type: none"> ▪ We consider that the Shire's asset management information system is fit for purpose given the Shire's size and water service activities. ▪ The Shire has a risk assessment relevant to its assets that is in accordance with the risk assessment approach set out in ISO31000. ▪ The risk assessment has been applied at an asset level with the failure modes for each asset type being assessed, e.g. failure modes for access chambers include lid collapse and overflow. For each failure mode, existing controls, likelihood of occurrence and consequence of occurrence are detailed and used to determine the risk. Risks are then assigned a priority. Mitigation and management strategies for each failure mode are also detailed. ▪ We consider the risk assessment to be an adequate reflection of the Shire's risks in providing its water service. However, we note that some of the areas of the risk assessment are out of date and it could do with a review to confirm its currency and alignment with existing operating practices. 	<ul style="list-style-type: none"> ▪ Asset failure risk assessment (Appendix K to AMP)
Contingency planning	<ul style="list-style-type: none"> ▪ The Shire has developed contingency plans for each of the high risk items identified in the risk assessment ▪ These are for: <ul style="list-style-type: none"> – Access Chamber Collapse – Pressure Mains Burst – Chlorine Spill – Critical Limits – Lagoon Breach – Overflow – Pathogen Contact – PLC & Short Circuit – Power Outage ▪ The contingency plans are available on the Shire's network drive ▪ We reviewed a sample of the contingency plans and found them to be satisfactory for the risks identified ▪ The Shire also has developed a rubric for evaluating the effectiveness of the contingency plans. It has used this rubric for a number of contingency plans – testing back-up generators in August 2014 and September 2014. It will test more contingency plans in time. We recommend that the Shire 	<ul style="list-style-type: none"> ▪ Asset failure risk assessment (Appendix K to AMP) ▪ Contingency procedures for: <ul style="list-style-type: none"> – AC pipe collapse – Pressure main burst – Chlorine spill – Critical limit exceedance – Lagoon breach – Sewage overflow – Pathogen contact – PLC short circuit – Power outage ▪ Evaluation form for evaluating effectiveness of contingency plans ▪ Records and completed evaluation forms for testing back-up generators in August and September 2014

Performance Areas	Observations	Evidence
	<p>prepares a matrix which summarises when each contingency plan was last tested and evaluated and uses this to schedule future testing.</p> <ul style="list-style-type: none"> ▪ The Shire noted that it has made changes to its operations as the result of exercising contingency plans. For example, after testing the Power Outage contingency plan (by coupling a generator to each pump station) it was found that not all pumps had the appropriate connections for the generator. These connections have now been put in place ▪ The testing of contingency plans and learning from these tests demonstrates growing asset management maturity on behalf of the Shire. However, it needs to ensure that these processes become 'business as usual' 	
<p>Financial planning</p> <ul style="list-style-type: none"> ▪ The financial plan states the financial objectives and strategies and actions to achieve the objectives ▪ The financial plan identifies the source of funds for capital expenditure and recurrent costs ▪ The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets) ▪ The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period ▪ The financial plan provides for the operations and maintenance, administration 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 Shire's sewerage and recycled water scheme is subject to Council-wide annual budgeting processes and objectives ▪ The Asset Management Plan identifies the source of funding are rates and charges for the sewerage system as well as interest earned on retained funds. ▪ Council prepares an annual operating budget, a 10 year opex forecast and a 50 year capital expenditure annuity model ▪ The Synergy system is used for preparing budgets, recording costs and tracking performance against the budget throughout the year. ▪ The 10 year opex forecast includes revenue, interest income, O&M costs and capital expenditure as well as tracking the reserve fund balance. ▪ Capital expenditure is discussed further under the following component ▪ The model shows that on current projections and assumptions the service is financially sustainable. 	<ul style="list-style-type: none"> ▪ Shire of Moora Asset management Plan for Sewerage and Effluent Reuse Assets ▪ Asset Register including asset valuation ▪ 50 year capital investment plan (renewals) ▪ 10 year operating expenditure forecast (linked to Council budget)

Performance Areas	Observations	Evidence
<p>Capital expenditure planning</p> <ul style="list-style-type: none"> ▪ There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates ▪ The plan provides reasons for capital expenditure and timing of expenditure ▪ The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan ▪ There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned 	<ul style="list-style-type: none"> ▪ The Shire has developed a 50 year capital renewal annuity model based on its asset valuation. ▪ No capital expenditure for growth or compliance is projected at this time ▪ A condition assessment was undertaken in January 2014 which also updated the expected useful lives of assets. This was taken into the renewals model. ▪ The Shire also updated condition and expected useful life as better information comes to hand, e.g. if an asset has been replaced ▪ The capital renewal model is linked to the financial plan so that adjustments are made automatically. The current annual annuity requirement is forecast to be \$190k per annum. This is reflected in the financial plan ▪ The sewerage system was constructed in the mid-late 1970s. Therefore it is relatively 'middle aged'. The most significant expenditure projected is not until the 2020s and is for replacement of sewage pumping station wet wells etc. We undertook a cursory visual inspection of the sewage pumping station wet wells during our audit and found them to be in reasonable condition. 	<ul style="list-style-type: none"> ▪ Shire of Moora Asset management Plan for Sewerage and Effluent Reuse Assets ▪ Asset Register including asset valuation ▪ 50 year capital investment plan (renewals) ▪ Discussion on likely new asset requirements in AMP
<p>Review of the asset management system</p> <ul style="list-style-type: none"> ▪ A review process is in place to ensure that the asset management plan and the asset 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 Shire has been responsible for the asset management system for a short period of time since taking back of responsibility from Water Corporation. ▪ At its first asset management system review following resuming responsibility for the system, the Shire received a Notice under Section 39 of the Water Services Licensing Act for deficiencies in its asset management system. The Notice required the licensee to take appropriate measures to rectify deficiencies in its asset management system by 31 December 2013. ▪ The Shire has undertaken significant work since this first review and a subsequent follow-up review undertaken by Barry Robbins Engineering and Project Management in February 2014. This review found that 17 of the observed deficiencies had been resolved, two deficiencies had been mainly resolved, three deficiencies had been partly resolved and one deficiency was still outstanding. ▪ We have found that the Shire has in place an effective asset management system in place given the nature and scale of its operations. The challenge for the Shire is now to firmly embed the system into its business as usual 	<ul style="list-style-type: none"> ▪ Shire of Moora Asset management Plan for Sewerage and Effluent Reuse Assets – section 12 describes review approach ▪ Section 39 Review Report (February 2014) by Barry Robbins Engineering – detailing progress made in reviewing and improving AMP

Performance Areas	Observations	Evidence
	activities and continually improve the system in response to changes in its operating environment.	

6 Recommendations

6.1 Operational 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
01/2015	<i>Non-compliant – NP2 Water Services Licensing Act 1995, Licence Number 12, version OL2, Schedule 3 Clause 2.5 Customer Service Charter not available to its customers in the three ways.</i>	No further recommendation as this obligation is no longer in effect.	
02/2015	<i>Non-compliant –NP2 Water Services Licensing Act 1995, Clause 8 Licensee has not provided one of the other two consultation mechanisms identified in clause 4.1(b).</i>	No further recommendation as this obligation is no longer in effect.	
03/2015	<i>Non-compliant – NP2 Water Services Licensing Act 1995, Schedule 3 Clause 4.1 Licensee had not established a Customer Council or institute at least two of the following: establish a regular meeting; publish a newsletter or run other public forums, concerning the licensed activities.</i>	No further recommendation as this obligation is no longer in effect.	
04/2015	<i>Non-compliant – C2 Water Services Licensing Act 1995, Clause 5.1 Licensee has not complied with all applicable legislation.</i>	We recommend that the licensee prepare a compliance register and reporting procedure based on the Authority's Compliance Reporting Manual to assist in keeping track of its statutory and regulatory obligations. The observations	

B. Unresolved at end of current Audit period

		<p>detailed in Table 5-1 in this audit report may be used as the basis for this. Relevant correspondence should be retained and logged in a suitable named and located folder on the licensee's server.</p> <p>Note: reporting procedure to detail how the data is collected, validated, reviewed/analysed and reported to the ERA.</p>
05/2015	<p><i>Non-compliant – B2</i> <i>Water Services Act 2012, Clause 5.3</i></p> <p><i>Licensee has not complied with all of the obligations of the Water Services Code of Conduct (Customer Service Standards) 2013</i></p>	<p>We recommend that the licensee address the recommendations 09/2015 to 15/2015.</p>
06/2015	<p><i>Non-compliance – C2</i> <i>Water Services Act 2012, Sections 82(4) & (5)</i></p> <p><i>The licensee to provide required notification of and requirements as to building work within 7 days of receiving the fee for dealing with the notification.</i></p>	<p>We recommend that the licensee modify its processes for assessing development work so that it complies with the time requirements of the Water Services Act 2012, Sections 82(4) & (5)</p>
07/2015	<p><i>Non-compliance – B2</i> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 7</i></p> <p><i>Licensee must have written information for customers about the specified matters under section 21(2)(c) or (3)(c) and section 73 of the Act.</i></p>	<p>Update the existing Customer Service Charter to reflect the required information about connections as required under section 21(2)(c) or (3)(c) and section 73 of the Act. (obligation 93 of the 2014 compliance manual).</p> <p>Alternatively, the licensee may prepare a new information document covering these topics.</p>
08/2015	<p><i>Non-compliance – B2</i> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 18(2)</i></p> <p><i>License does not have a formal written procedure for the review of a bill on the customer's request.</i></p>	<p>Prepare a written procedure for review of a bill consistent with the requirements of the Code, Compliance Manual 2014 obligations 114 to 116</p>
09/2015	<p><i>Non-compliance – B2</i> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clauses 18(3) & (6)</i></p> <p><i>License does not have a formal written procedure for the review of a bill on the customer's request.</i></p>	<p>Refer to recommendation 08/2015</p>
10/2015	<p><i>Non-compliance – B2</i> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 18(4)</i></p>	<p>Refer to recommendation 08/2015</p>

B. Unresolved at end of current Audit period

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

11/2015	<i>Non-compliance – B2 Water Services Code of Conduct (Customer Service Standards) 2013, Clause 21(1) The licensee does not have direct debit payment method to allow a customer to pay a bill.</i>	In addition to the other bill payment options, the licensee to make provision of direct debit services available as identified in its Financial Hardship Policy and as consistent with the Authority's Financial Hardship Policy Guidelines.
12/2015	<i>Non-compliance – B3 Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(1) The Licensee's complaints procedure is not fully documented</i>	Prepare and implement a complaints handling procedure consistent with the requirements of AS ISO 10002 and Clause 35 of the Water Service Code of Conduct
13/2015	<i>Non-compliance – B3 Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(2) The Licensee's complaints procedure is not fully documented or consistent with AS ISO 10002</i>	Refer to recommendation 12/2015
14/2015	<i>Non-compliance – B3 Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(3) Licensee's complaints procedure does not fully address the matters specified in relation to lodgement of complaints, responding to complaints, dispute resolution arrangements and resolving complaints.</i>	Refer to recommendation 12/2015
15/2015	<i>Non-compliance – B3 Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(4) Licensee's complaints procedure does not fully address the requirements about informing customers that they do not have to use the licensee's complaints procedure, the procedures under the Act and the costs and benefits of the different complaints resolution approaches.</i>	Refer to recommendation 12/2015
16/2015	<i>Non-compliance – B3 Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(6)</i>	Refer to recommendation 12/2015

B. Unresolved at end of current Audit period

Licensee's complaints procedure consistent with Clause 35 is not publically available

17/2015	<p><i>Non-compliance – B2</i> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 37(1)</i></p> <p><i>The licensee does not make all of the prescribed information publicly available</i></p>	<p>Provide the following information publically:</p> <ul style="list-style-type: none"> • Bill payment methods • Exemptions, rebates and discounts available • Large print services
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18/2015	<p><i>Non-compliant - B2</i> <i>Water Services Act 2012, Section 12 (Clause 16)</i> <i>The licensee did not provide a compliance report to the Authority for 2012/13 reporting period.</i></p>	<p>Refer to recommendation 04/2015</p>
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19/2015	<p><i>Non-compliant - B2</i> <i>Water Services Act 2012, Section 12 (Clause 20)</i> <i>The licensee notification to the Authority of a material change to the asset management system was longer than the prescribed 10 days following the post implementation review.</i></p>	<p>Refer to recommendation 04/2015</p>
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20/2015	<p><i>Non-compliant – B2</i> <i>Water Services Act 2012, Section 29 (Clause 26)</i> <i>The licensee has not complied with all the duties imposed on it by the Act as it was unable to meet all Code requirements.</i></p>	<p>Refer to recommendation 04/2015</p>
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6.2 Asset management System

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

A. Resolved during current audit period

Ref.	Asset System Deficiency (Rating / Asset Management System Component & Effectiveness Criteria / Details of Asset System Deficiency)	Date Resolved (& management action taken)	Auditor's Comments
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B. Unresolved at end of current Audit period

Reference	Asset System Deficiency	Auditor's recommendation
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B. Unresolved at end of current Audit period

(no./year)

(Rating / Asset Management System Component & Effectiveness Criteria / Details of Asset System Deficiency)

Management action taken by end of Audit Period

21/2015	B2 <i>Environmental Analysis</i> <i>Asset Management Plan has some out dated references</i>	We recommend that the asset management plan be updated to reflect the requirements of the new operating licence version and the new legislative framework.
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22/2015	B2 <i>Environmental Analysis</i> <i>The operational audit has found that the Shire has not complied with all of its regulatory requirements.</i>	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.
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23/2015	B2 <i>Risk Management</i> <i>Risks are documented in a risk register and treatment plans are actioned and monitored</i>	Areas of the risk assessment are out of date and it would benefit from a review to confirm its currency and alignment with existing operating practices.
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24/2015	B2 <i>Contingency planning</i> <i>Come contingency plans have been tested but a long term testing program and record is needed.</i>	We recommend that the Shire prepares a matrix which summarises when each contingency plan was last tested and evaluated and uses this to schedule future testing.
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7 Confirmation of the Audit/Review

I confirm that the audit/review carried out at the Shire of Moora on 14 and 15 January 2015 and recorded in this report is an accurate presentation of our findings and opinions.

Stephen Walker
Cardno (QLD) Pty Ltd
515 St Paul's Terrace
Fortitude Valley QLD 4006

20 February 2015

Shire of Moora

APPENDIX A
RISK MANAGEMENT
FRAMEWORK



Types of Compliance Risk

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

Risk Assessment Rating Scales

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

Consequence Rating

The consequence rating scale is outlined below.

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

Likelihood Ratings

The likelihood rating scale is described below.

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

Inherent Risk Assessment Rating and Description

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

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

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

Adequacy Ratings for Existing Controls

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

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

Assessment of Audit Priority

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

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

Inherent Risk

Adequacy of Existing Controls

Low

Audit Priority 5

Shire of Moora

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 improvement 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.