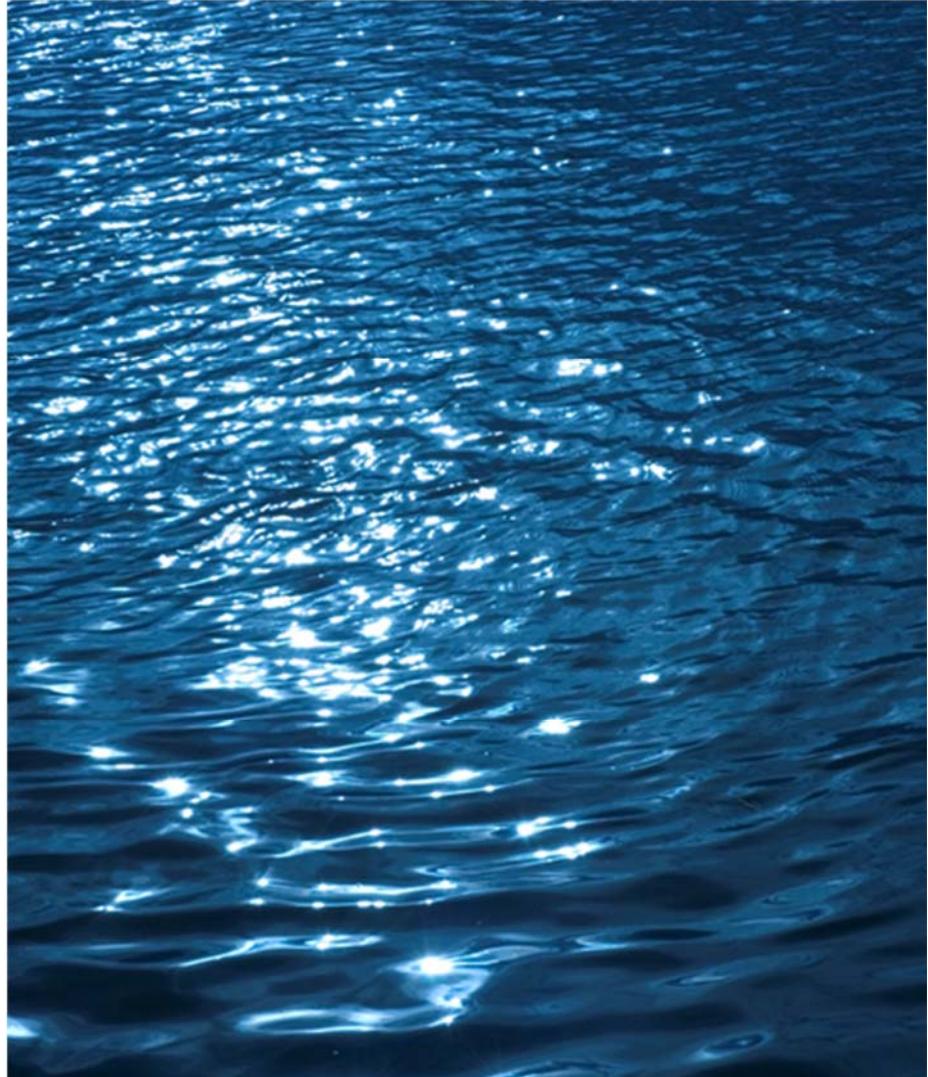




Quantum
Assurance



Shire of Denmark

Operational Audit and Asset Management System Review Water Licence WL39 Version 5 (Non-potable)

Report
Economic Regulation Authority
10 February 2016

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Limitations of this Report

This report was prepared for distribution to the Economic Regulation Authority and the Shire of Denmark for the purpose of fulfilling the Shire's operational audit and asset management system effectiveness review obligations under its Water Services Operating Licence. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Economic Regulation Authority and the Shire of Denmark, or for any purpose other than that for which it was prepared.

Because of the inherent limitations of any internal control environment, it is possible that fraud, error or non-compliance may occur and not be detected. An audit is not designed to detect all instances of non-compliance with the procedures and controls over the licence obligations of the Water Services Operating Licence, since we do not examine all evidence and every transaction. The audit and review conclusions expressed in this report have been formed on this basis.

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1. Executive Summary

1.1 Background

The Economic Regulation Authority ('the Authority') has engaged Quantum Management Consulting and Assurance (Quantum) to undertake an operational audit and asset management system effectiveness review of the Shire's non-potable water supply, to comply with the licensing requirements of the Authority.

The Shire of Denmark has a Water Services Operating Licence, issued by the Economic Regulation Authority ('the Authority') under the Water Services Act 2012, for the provision of non-potable water supply in the operating area at Peaceful Bay. Peaceful Bay is situated on the South Coast of WA, approximately 400 km south of Perth and 90 km west of Albany. In July 2013, the water supply scheme supplied non-potable water to 203 leasehold holiday use lots with a peak daily demand of approximately 200 KI.

The licenced Peaceful Bay water scheme comprises a production bore, storage soak, pumping station and three high level tanks. The reticulation system is made up of a DN 109 PVC distribution main and various sizes of reticulation pipes.

Water is extracted from a soak via a single transfer pump which pumps water from the soak to two concrete and one steel high level tanks. As a back up to the soak supply, water is extracted from the ground aquifer via a production bore with a submersible pump and delivered to the soak if water level falls to a certain threshold. All demand water is stored in the tanks. A level switch in the bottom tank controls transfer pump operation. In 2013 the submersible bore pump was replaced and both transfer pumps were refurbished.

Allotment lessees pay annual lease fees plus normal property rates. There is no separate charge for the non-potable water service. Executive responsibility for the water services rests with the Shire's Director, Community and Regulatory Services (DCRS). The Shire has a Water Supply Maintenance Officer, overseen by the Principal Environmental Health Officer (EHO), to undertake the general operations, maintenance, flow measurement and weekly water sampling of the system. The Shire also has support arrangements with a local plumber and electrician. A Consultant provides technical, financial, administrative and compliance advice on the supply.

The Shire is required to comply with the terms and conditions of their license, being Water Operating License WL 39 Version 5 (from 18 November 2013).

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

The previous operational audit period was for the period from 1 June 2012 to 30 November 2013.

This audit and review covers the period from 1 December 2013 to 30 November 2015.

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

1.2 Operational Audit

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

Through the execution of the Audit Plan and assessment and testing of the control environment, the information system, control procedures and compliance attitude, the audit team members have gained reasonable assurance that the Shire of Denmark has:

- a) complied with its licence obligations during the audit period from 1 December 2013 to 30 November 2015 with the exception of:
 - the Shire's complaints procedure, as included in the Customer Service Charter for Water Supply Services, does not contain all the information required under the *Water Services Code of Conduct (Customer Service Standards)*.

-
- Performance reports were not always submitted by the due dates (one annual report was 12 days late);
- b) 2 of 4 recommended actions from the previous audit have been resolved by action taken. The following recommendations have not yet been fully implemented:
- a complaints procedure has been documented but it does not contain all the information required under the *Water Services Code of Conduct (Customer Service Standards)*; and
 - the Compliance Schedule, as included in the Asset Management Plan, has not been amended to refer to the obligation to notify the Authority of “material change to the asset management system”; to report a change in circumstances; and to include appropriate references to the Water Services Act 2012 (WA) and the Operating Licence;
- c) established an adequate control environment for ongoing compliance apart from the non-compliance issue noted above concerning complaints; and
- d) maintained the data integrity of reporting to the Authority.

The audit recommended that the Shire:

- update the complaints procedure, as included in the Customer Service Charter for Water Supply Services, to include the details required by the *Water Services Code of Conduct (Customer Service Standards) 2013*;
- ensure that all future Performance Reports are submitted to the Authority within the timeframes required;
- maintain a Compliance Breach Register in respect of their licence;
- develop and/or update internal procedures with the requirements under the licence re issue of compliance notices, notices of entry to the property owners and application for warrant. The detailed compliance obligations in this report could be used as a reference; and
- amend the Compliance Schedule, as included in the Asset Management Plan, to refer to the obligation to notify the Authority of any “material change to the asset management system”; to report a change in circumstances; and include appropriate references to the Water Services Act 2012 (WA) and the Operating Licence.

1.3 Asset Management System Review

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

The assets are as described above with no major changes since the previous review apart from replacement/refurbishment of pumps. The scheme is a limited effluent system.

Through the execution of the Review Plan and assessment and testing of the control environment, the information system, control procedures and compliance attitude, the audit team members have gained reasonable assurance that the Shire of Denmark:

- a) Has implemented or resolved 9 out of 11 previous review recommendations. The outstanding recommendations are to improve recordkeeping and to expand the list of emergency contacts in the contingency plan.
- b) Has established an adequate control environment for ongoing compliance in respect of the asset management system apart from:
 - updating and expanding the legislative and licence references in the Asset Management Plan;
 - checking the requirements for Storage and Handling of Dangerous Goods in respect of the chemical storage in the Transfer Pump Room;
 - ensuring that public access to the storage lagoon is fully secured and access to the bore via a track is maintained;

-
- improving the recordkeeping for the scheme and considering a regular management report on the performance of the scheme;
 - providing for regular testing/training in the contingency plan; and
 - reviewing the Asset Management Plan on an annual basis as per the compliance schedule in the Plan.

The review recommended that the Shire should:

- a) check on the requirements for Storage and Handling of Dangerous Goods in respect of the chemical storage in the Transfer Pump Room;
- b) ensure that public access to the Storage lagoon area is fully prevented by closing the gap between the fencing and gate. Also, establish a written agreement with the government agency maintaining the access track to the bore and refer to this in the Asset Management Plan;
- c) expand the list of emergency contacts in the contingency plan and include in the Asset Management Plan a procedure to provide training/testing of the Plan on an annual basis;
- d) create an overall electronic folder and appropriate sub-folders to accommodate the relevant records and data associated with the non-potable water services;
- e) The Shire should undertake reviews of the Asset Management Plan at the intervals stated in the Compliance Schedule of the Plan.

In general, the Peaceful Bay non-potable water scheme has been well planned, constructed and maintained. The scheme was found to be operating reliably, providing supply to the end user without significant interruption or complaint. It has inbuilt redundancies to cope with peak demands with the use of a storage lagoon.

The supporting system is being well-maintained with several improvements recommended in this review.

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

Quantum Management Consulting & Assurance



Geoff White
Director

10 February 2016

2. Operational Audit

2.1 Introduction

The Shire of Denmark has a Water Services Operating Licence, issued by the Economic Regulation Authority ('the Authority') for the provision of non-potable water supply in the operating area at Peaceful Bay

The Shire is required to comply with the terms and conditions of their license, being Water Operating License WL 39 Version 5 (from 18 November 2013).

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

2.2 Objectives and Scope

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

The audit has applied a risk-based approach to focus on the systems and effectiveness of processes used to ensure compliance with the standards, outputs and outcomes required by the Licence. The approach is set out in a detailed Audit Plan approved by the Authority that was designed to focus on the higher risk areas with less intensive coverage of medium and low risk areas.

The scope of the audit covered the following areas:

- **Process compliance** - the effectiveness of systems and procedures in place throughout the audit period, including the adequacy of internal controls.
- **Outcome compliance** – the actual performance against standards and Codes of Conduct prescribed in the licence throughout the audit period.
- **Output compliance** – the existence of the output from systems and procedures throughout the audit period (that is, proper records exist to provide assurance that procedures are being consistently followed and controls are being maintained);
- **Integrity of reporting** – the completeness and accuracy of the compliance and performance reports provided to the Authority and to other regulatory organisations providing licences to the Shire for the water services.
- **Compliance** with any individual licence conditions – the requirements imposed on the Licensee by the Authority or specific issues advised by the Authority.

The highest priority areas based on inherent risk and the previously assessed controls/processes were:

- **Provision of water services in accordance with the licence** – high inherent risk and Type 1 reporting obligation (obligation 1).
- **Asset Management System** – high inherent risk (obligation 6).
- **Customer Complaints** – previous audit noted no written complaints procedure and not all complaints were recorded and reported in the Annual Compliance Report to the Authority (obligations 145 to 149).

The audit aimed to identify any areas where improvement is required and to recommend corrective action as necessary. This included reviewing the status of the previous audit recommendations.

The audit covered the period from 1 December 2013 to 30 November 2015.

2.3 Audit Compliance and Controls Rating Scale

The adequacy of controls and compliance with the legislative obligations was assessed using the following ratings.

Adequacy of Controls Rating		Compliance Rating	
Rating	Description	Rating	Description
A	Adequate controls – no improvement needed	1	Compliant
B	Generally adequate controls – improvement needed	2	Non-compliant – minor impact on customers or third parties
C	Inadequate controls – significant improvement required	3	Non-compliant – moderate impact on customers or third parties
D	No controls evident	4	Non-compliant – major impact on customers or third parties
NP	Not performed– no activity in current period	NR	Not rated – no activity in current period

2.4 Status of Previous Audit Recommendations

The previous audit covered the period 1 June 2012 to 30 November 2013 and was reported in April 2014.

Table of Previous Non Compliances and Audit Recommendations				
Reference (no./year)	Compliance rating/ Legislative Obligation/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details of further action required. (Including current recommendation ref. if applicable)
A. Resolved before end of previous audit				
	Nil			
B. Resolved during current audit period				
	Nil			
C. Unresolved at end of current audit period				
01/2013	<p>Compliance and Duties of the licensee <i>Compliant - 1</i> <i>Water Services Act 2012 Clauses 26, 27 and 29</i></p> <p>Section 12 of the document entitled: "Peaceful Bay – Non Potable Water Supply - 2013 Asset Management Plan" contains a schedule entitled: "Compliance Schedule" (Schedule). This Schedule, with two exceptions, comprehensively lists reportable compliance obligations included in the Operating Licence. However, the Schedule:</p> <ul style="list-style-type: none"> Refers to reporting "significant change to asset management <u>plan</u>" and not "material change to the asset management <u>system</u>" as referred to in the Water Services Operating Licence; Contains no reference to the Shire's obligation to "reporting a change in circumstances" as contained in section 15 of the Water Services Operating Licence dated 18 November 2013; 	<p>Amend the Compliance Schedule, as included in the Asset Management Plan, to:</p> <ul style="list-style-type: none"> Refer to the obligation to notify the ERA of "material change to the asset management system"; Refer to the obligation to report a change in circumstances, as envisaged in section 15 of the Water Services Act 2012 (WA); Include an appropriate reference to the Water Services Act 2012 (WA); and Disclose Operating Licence references for the compliance obligations it contains. 	-	<p>Yes – further action required.</p> <p>The Compliance Schedule, as included in the Asset Management Plan, has not been updated as recommended.</p> <p><i>Refer recommendation 01/2015.</i></p>

Table of Previous Non Compliances and Audit Recommendations				
Reference (no./year)	Compliance rating/ Legislative Obligation/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details of further action required. (Including current recommendation ref. if applicable)
	<ul style="list-style-type: none"> Refers to the Water Services Licensing Act 1995 and not the Water Services Act 2012 (WA); and Do not contain Operating Licence references for the compliance obligations it contains. 			
02/2013	<p>Customer Complaints <i>Compliant – 1</i> <i>Water Services Licensing Act 1995 Clause 6.1</i></p> <ul style="list-style-type: none"> Section 1.9 entitled: "Emergency assistance" in the Customer Service Charter provides the names, position titles and 24 hour "emergency customer service telephone numbers" for six persons; A link for the Customer Service Charter is currently prominently displayed on the Shire webpage entitled: "Community & Regulatory Services Documents and Forms"; and However, none of the six "emergency customer service telephone numbers" listed in the Customer Service Charter are currently prominently disclosed on the Shire's web site. 	Disclose the names, position titles and the "emergency customer service telephone numbers" listed in the Customer Service Charter prominently on the home page of the Shire's web site.	-	<p>No – No further action</p> <p>The Shire's CEO did not see this as a priority for the Shire's website as the information is searchable. The Shire now has a 24 hour call centre on its 9818 0300 number.</p> <p>This was accepted by the audit.</p>
03/2013	<p>Complaints Procedure <i>Compliant – 1</i> <i>Licence condition Schedule 3 Clause 3.1</i></p> <p>The Shire does not have a customer complaints procedure manual in place.</p>	Compile and implement a customer complaints procedure manual. This manual should comply with the stipulations contained in the Water Services Operating Licence dated 18 November 2013.	-	<p>Yes – further action required.</p> <p>The audit reviewed the Shire's Complaints Management Policy and complaint procedure in the Customer Service Charter and concluded that they collectively cover the relevant requirements of the Water Services Code of Conduct (Customer Service Standards) 2013 except for the complaints procedure in the</p>

Table of Previous Non Compliances and Audit Recommendations				
Reference (no./year)	Compliance rating/ Legislative Obligation/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details of further action required. (Including current recommendation ref. if applicable)
				Charter needs to be updated to replace the referral of complaints to the Department of Water, with the Energy and Water Ombudsman. <i>Refer recommendation 02/2015</i>
04/2013	<p>Performance reporting to the Authority</p> <p>Compliant – 1</p> <p><i>Licence condition Clause 16.3</i></p> <p>Two customer complaints were received during the Audit Period on:</p> <ul style="list-style-type: none"> • 12/12/2012; and • 29/11/2013. <p>However, the “Water Compliance Manual Datasheet – Complaints” discloses that no customer complaints were received during the 2012/13 reporting period.</p>	Ensure that the “Water Compliance Manual Datasheets - Complaints” accurately and comprehensively record numbers for complaints received.	-	<p>No – No further action</p> <p>One customer complaint was received during the 2013/14 reporting period and one work request. The Shire’s 2013/14 Performance Reporting Datasheet accurately shows only one customer complaint was received during the 2013/14 reporting period.</p>

2.5 Summary of Audit Ratings of Controls and Compliance

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

No. ¹		Legislative Reference	Audit Priority applied (rated 1 = High to 5 = Low)	Adequacy of Controls Rating ² (A=Adequate, B=Generally adequate, C=Inadequate, D=No controls, NP=Not performed)					Compliance Rating (1=Compliant, 2=Non-compliant (minor impact), 3=Non-compliant – moderate impact, 4=Non-compliant - major impact, NR=Not rated)					
				A	B	C	D	NP	1	2	3	4	NR	
Water Services Act 2012														
1	Nature of services	Sec. 21(1)(a)	2	✓						✓				
2	Terms of service	Sec. 21(1)(b)	4					✓						✓
3	Provision of services	Sec. 21(1) (c)	4	✓						✓				
4	Operating area	Sec. 22	4					✓						✓
5	Outsourcing of services	Sec. 23	4	✓						✓				
6	Asset management system	Sec. 24(1)(a) & 24(2)	2	✓						✓				
7	Changes to asset management system	Sec. 24(1)(b)	4		✓									✓
8	Asset management system review	Sec. 24(1)(c)	1	✓						✓				
9	Operational audit	Sec. 25	4	✓						✓				
10	Code of Practice	Sec. 26(3)						✓						✓
11	Code of Conduct	Sec. 27	4		✓						✓			
12	Compliance generally	Sec. 29	4		✓					✓				
13	Termination of service	Sec. 36	4					✓						✓
14	Supplier of last resort	Sec. 24(1)(b)						N/A						N/A
15	Ombudsman scheme	Sec. 66	4	✓						✓				
16	Interruption of water supplies	Sec. 77(3)	4					✓						✓
17	Notification of building works	Sec. 84(4)&(5)	4					✓						✓
18	Ensuring water service works are done	Sec. 84(2)	4					✓						✓
19	Review of decisions	Sec. 87(2)	4					✓						✓
20	Construction near water service works	Sec. 90(7)	4					✓						✓
21	Termination of water supply (irrigation)	Sec. 95(3)	4					✓						✓
22-23	Fire hydrants	Sec. 96(1)&(5)	4					✓						✓
24	Sewer connections	Sec. 98(3)	4					N/A						N/A
25	Compliance notice issued by licensee re not maintaining pipes	Sec. 106(2)	4					N/A						N/A
28	Compliance notice issued by licensee re building works	Sec. 119(2)	4				✓							✓
29	Review of decisions	Sec. 122(2)	4				✓							✓

¹ The number refers to the item reference in the Water Compliance Reporting Manual, ERA April 2014

² Refer Controls and Compliance Rating Scales in Section 2.3.

No. ¹		Legislative Reference	Audit Priority applied (rated 1 = High to 5 = Low)	Adequacy of Controls Rating ² (A=Adequate, B=Generally adequate, C=Inadequate, D=No controls, NP=Not performed)					Compliance Rating (1=Compliant 2=Non-compliant (minor impact), 3=Non-compliant – moderate impact, 4=Non-compliant - major impact, NR=Not rated)					
				A	B	C	D	NP	1	2	3	4	NR	
30	Apportionment of fees between properties	Sec. 125(2)	4					N/A						N/A
31	Lodging memorial to secure fees owing	Sec. 128(4)	4					N/A						N/A
32-33	Notice to property owner	Sec. 129(5) & 139(3)	4				✓							✓
34	Notice to roads authority	Sec. 141(1)	4					N/A						N/A
35-41	Proposal for major works	Sec. 142, 143(2)&(3), 144(3), 145(2), 147(3)&(4)	4					✓						✓
42-45	Proposal for general works	Sec. 151(1)-(3), 153(3),	4					✓						✓
46-48	Interest in land	Sec. 166(5)-(6), 170	4					✓						✓
49-57	Notice of entry to property and authority to enter	Sec. 174(1),(3)&(4) Sec. 175(2)&(5), 176(1),(3)&(4), 181	4				✓							✓
58-61	Warrant to enter property	Sec. 186, 187(1)-(3), 190(4)-(5), 210(5), 218(2)-(3).	4				✓							✓
62	Compliance Officer	Sec. 210(5)	4					✓						✓
63	Minimum disruption	Sec. 218(2)	4				✓							✓
64	Physical damage	Sec. 218(3)	4					✓						✓
Water Services Regulations 2012														
74-75	Work affecting roads	Reg. 60(2), 63	4					✓						✓
89	Compliance notice issued by licensee to include consequences and rights	Reg. 85	4				✓							✓
Water Services Code of Conduct (Customer Service Standards) 2013														
92	Information for customers	Cl. 7	4	✓					✓					
93	Timeliness of connections	Cl. 8	4					✓						✓
94	Annual service charges	Cl. 9	4					N/A						N/A
95-98	Usage bills at least 6 monthly	Cl.10(2)-(5)	4					N/A						N/A
99	Address for billing	Cl. 11	4					N/A						N/A
103-104	Basic of billing estimate	Cl. 13(1)&(2)	4					N/A						N/A
105	Request for meter reading	Cl. 14(1)	4					N/A						N/A
106	Higher than normal charge	Cl. 15	4					N/A						N/A
107-112	Under and over charges	Cl. 16(2)-(5), 17(1)-(2)	4					N/A						N/A
113	Review of bill - requests	Cl. 18(1)	4					N/A						N/A
114-117	Review of bill - procedures	Cl. 18(2)-(6)	4					N/A						N/A
118	At least 14 days for payment	Cl 20	4					N/A						N/A

No. ¹		Legislative Reference	Audit Priority applied (rated 1 = High to 5 = Low)	Adequacy of Controls Rating ² (A=Adequate, B=Generally adequate, C=Inadequate, D=No controls, NP=Not performed)					Compliance Rating (1=Compliant, 2=Non-compliant (minor impact), 3=Non-compliant – moderate impact, 4=Non-compliant - major impact, NR=Not rated)					
				A	B	C	D	NP	1	2	3	4	NR	
119-121	Payment methods	Cl. 21(1)-(2), 22	4					N/A						N/A
122	Payment in advance	Cl. 23(1)	4					N/A						N/A
123	Redirection of bills	Cl. 24	4					N/A						N/A
124	Payment plan	Cl. 25	4					N/A						N/A
132	Payment plan – customer not land owner	Cl. 27(2)-(3), 28(1)	4					N/A						N/A
133	Payment plan - written information	Cl. 28 (4)&(5)	4					N/A						N/A
134	Debt recovery	Cl. 29	4					N/A						N/A
139,142 .144	Reducing flow rates	Cl. 33, 34(4)&(6)	4					N/A						N/A
145	Complaints procedure - written	Cl. 35(1)	3	✓					✓					
146 -147	Complaints procedure – compliant with Standard	Cl. 35(2)&(3)	3	✓					✓					
148	Complaints procedure - details	Cl. 35(4)	3			✓				✓				
149	Complaints procedure – publicly available	Cl. 35(6)	3	✓					✓					
150-151	No charge for information	Cl. 36(1)	4	✓										✓
152	Access to customer information	Cl. 37(1)	4					N/A						N/A
153	All Code of Conduct information to be publicly available in hardcopy and website	Cl. 37(1)	4	✓					✓					
Licence Conditions – Specific Clauses														
155	Fees to regulator	Cl. 4	5	✓					✓					
156	Compliance with legislation	Cl. 5.1	4	✓					✓					
157	Compliance with Code of Practice	Cl. 5.2	4					N/A						N/A
158	Compliance with Code of Conduct	Cl. 5.3	4		✓					✓				
159	Compliance re any breaches	Cl. 5.4	4					✓						✓
160	Compliance with Accounting Standards	Cl. 12	4	✓					✓					
161	Compliance with performance standards	Cl. 13.1	4					N/A						N/A
162	Operational audit	Cl. 14.4	4	✓					✓					
163	External administration	Cl. 15.1(a)-(c)	4		✓									✓
164	Advise Authority of major or general works	Cl. 15.1(d)	4					✓						✓
165	Provision of information to the Authority	Cl. 16.1	4		✓					✓				
166	Compliance reporting to Authority	Cl. 16.2	4		✓				✓					
167	Performance reporting to Authority	Cl. 16.3	4	✓					✓					

No. ¹		Legislative Reference	Audit Priority applied (rated 1 = High to 5 = Low)	Adequacy of Controls Rating ² (A=Adequate, B=Generally adequate, C=Inadequate, D=No controls, NP=Not performed)					Compliance Rating (1=Compliant, 2=Non-compliant (minor impact), 3=Non-compliant – moderate impact, 4=Non-compliant - major impact, NR=Not rated)				
				A	B	C	D	NP	1	2	3	4	NR
168	Publishing information	Cl. 17.2	4					✓					✓
169	Notices in writing	Cl. 18.1	4	✓					✓				
170	Notify Authority of asset management system (AMS)	Cl. 20.1	4	✓					✓				
171	Notify Authority of material change to AMS	Cl. 20.2	4		✓								✓
172	AMS review	Cl. 20.6	4	✓					✓				
173	Ombudsman scheme	Cl. 21.1	4	✓					✓				
174	Customer contract – standard terms	Cl. 22.1	4					✓					✓
175-180	Customer contract approval and amendment	Cl. 23.1-23.3, 23.6, 24.1-2 24.4.	4					✓					✓
181	Obligations of supplier of last resort	Cl. 25.1	4					N/A					N/A
182	No services outside operating area	Cl. 28.1(b)	4					N/A					N/A

Note: Obligations 65 to 88 (except 74 to 75) that were included in the Audit Plan have been excluded from this report as these obligations only apply to “water corporations” and not local government authorities.

2.6 Audit Observations and Recommendations

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
Water Services Act 2012							
1.	Nature of services	Section 21(1)(a)	The licensee must provide a water service authorised by the licence to persons entitled to the service under the Act, except to the extent otherwise provided for by the Act.	2	The auditor confirmed with the Shire's Director of Community & Regulatory Services (DCRS), review of Asset Management System documentation and observation that, during the audit period, the licensee provided a water service in accordance with the licence (i.e. non-potable water services) to persons entitled to the service under the Act. The Shire is licenced to provide non potable water to 203 leasehold residential lots to be used for toilet flushing and garden watering. No further connections are available to the Peaceful Bay water supply scheme.	A	1
2.		Section 21(1)(b)	The licensee must offer to provide a water service on reasonable terms, unless provision of the service is not financially viable or is otherwise not practicable, to persons within the operating area who are not entitled to the service under the Act.	4	The auditor confirmed with the Shire's DCRS that no request for connection was made to the licensee from a person within the operating area who is not entitled to the service.	NP	NR
3.		Section 21(1)(c)	The licensee must provide, operate and maintain the water service works specified by the Authority in the licence.	4	Confirmed by this audit and review.	A	1

³ Number refers to the item reference in the Water Compliance Reporting Manual, Authority April 2014

⁴ Controls Rating Scale: (A=Adequate, B=Generally adequate, C=Inadequate, D=No controls, NP=Not performed).

⁵ Compliance Rating Scale: 1=Compliant, 2=Non-compliant - minor impact, 3=Non-compliant – moderate impact, 4=Non-compliant - major impact, NR=Not rated.

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
4.	Operating area	Section 22	The licensee must notify the Authority as soon as practicable before commencing to provide the water service outside of the operating area of the license.	4	The auditor confirmed with the Shire's DCRS, review of Asset Management System documentation and observation that the licensee does not provide a water service outside of the operating areas set out in Plan Number: OWR-OA-294(C).	NP	NR
5.	Outsourcing of services	Section 23	All water service works used by the licensee in the provision of a water service must be held by the licensee, or must be covered by an agreement whereby the licensee can operate the works so as to comply with its obligations, or must fit in to other prescribed categories under the Act.	4	The auditor confirmed with the Shire's DCRS and review of Asset Management System documentation that all water service works used by the licensee in the provision of a water service are provided by the licensee.	A	1
6.	Asset management system	Sections 24(1)(a) & 24(2)	The licensee must have an asset management system that provides for the operation and maintenance of the water service works.	2	This audit and review confirmed the licensee has an asset management system.	A	1
7.	Changes to asset management system	Section 24(1)(b)	The licensee must give details of the asset management system and any changes to it to the Authority.	4	The auditor confirmed with the Shire's DCRS and review of the Asset Management System documentation that no significant changes have been made to the Asset Management System during the audit period. The requirement to notify the Authority of any "significant change to the asset management system" within 10 days of the change is not included in the Compliance Schedule in the Asset Management Plan (only "major changes to the Plan" itself whereas the system includes the procedures, work plans and the asset register). <i>Refer obligation 12 and recommendation 01/2015.</i>	B	NR
8.	Asset management system review	Section 24(1)(c)	A licensee must provide the Authority with a report by an independent expert as to the effectiveness of its asset management system every 24 months, or such longer period as determined by the Authority.	4	Reviews undertaken as required by the Authority.	A	1

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
9.	Operational audit	Section 25	A licensee must, not less than once every 24 months, or such longer period as determined by the Authority, provide the Authority with an operational audit conducted by an independent expert acceptable to the Authority.	4	Audits undertaken as required by the Authority.	A	1
10.	Code of Practice	Section 26(3)	The licensee must comply with each code of practice made by the Minister to the extent to which it applies to the licensee.	4	No Codes of Practice have been issued by the Minister.	NP	NR
11.	Code of Conduct	Section 27	The licensee must comply with the 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	The auditor reviewed compliance with Code of Conduct as per obligations listed in this audit report, and concluded that the licensee generally complies with Code of Conduct with the exception of non-compliance re complaints procedure noted in this audit. <i>Refer recommendation 02/2015</i>	B	2
12.	Compliance	Section 29	The licensee must comply with the duties imposed on it by the Act in relation to its licence and must carry out its operations in respect of the licence in accordance with the Act.	4	<p>Reviewed Compliance Reports to the Authority for 2013/14 and 2014/15 and underlying recording systems and ensured data is complete and accurate, although the Shire should maintain a compliance breach register in respect of their licence conditions to ensure that all contraventions of the licence conditions for each financial year are reported to the Authority in the annual Compliance report. <i>Refer obligation 166.</i></p> <p>As noted in the previous audit (<i>Refer recommendation 01/2013</i>), Section 12 of the document entitled: "Peaceful Bay – Non Potable Water Supply - 2013 Asset Management Plan" contains a schedule entitled: "Compliance Schedule" (Schedule). This Schedule, with two exceptions, comprehensively lists reportable compliance obligations included in the Operating Licence.</p> <p><i>Continued...</i></p>	B	1

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
					<p>The audit reviewed the Schedule and noted that it has not been updated for previous audit recommendations as yet.</p> <p><u>Recommendation 01/2015:</u> <i>As recommended in the previous audit, amend the Compliance Schedule, as included in the Asset Management Plan, to:</i></p> <ul style="list-style-type: none"> • <i>Refer to the obligation to notify the ERA of "material change to the asset management system within 10 days";</i> • <i>Refer to the obligation to report a change in circumstances, as envisaged in section 15 of the Water Services Act 2012 (WA);</i> • <i>Include an appropriate reference to the Water Services Act 2012 (WA); and</i> • <i>Disclose Operating Licence references for the compliance obligations it contains.</i> 		
13.	Termination of service	Section 36	If the licensee ceases to provide a water service in an area, the licensee must ensure that the water service works are left in a safe condition, and must not remove any part of the works except with the approval of the Minister.	4	Confirmed with the Shire's DCRS and review of the Asset Management System documentation and observation that the licensee didn't cease to provide a water service in the area.	NP	NR
14.	Supplier of last resort	Section 60	If the licensee is the supplier of last resort for a designated area, the licensee must perform the functions of the supplier of last resort and must comply with the relevant duties and carry out the relevant operations prescribed.	4	Confirmed with the Shire's DCRS that the licensee is not a supplier of last resort.	N/A	N/A

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
15.	Ombudsman scheme	Section 66	Licenses who are required to be a member of the water services ombudsman scheme agree to be bound by, and compliant with, any decision of direction of the water services ombudsman under the scheme.	4	Confirmed by review of the correspondence between the licensee and the Energy and Water Ombudsman (WA) that the licensee is a member of the Water Services Ombudsman scheme.	A	1
16.	Interruption of water supplies	Section 77(3)	The licensee must take reasonable steps to minimise the extent or duration of any interruption of water services it is responsible for.	4	Confirmed with the Shire's DCRS that no interruption to water services occurred during the audit period.	NP	NR
17.	Notification of building works	Sections 82(4) & (5)	If a person must give the licensee notice of any building work to be carried out on land in the operating area of a license, the licensee must return a copy of the plans and specifications contained in the notice with any written directions about the proposed building work that the licensee considers necessary to ensure the safety and efficacy of the provision of water services provided, or to be provided. The licensee must do this within 7 days of receiving the fee for dealing with the notification.	4	Confirmed with the Shire's DCRS that, during the audit period, no notice of building work has been received by the Shire and there is no anticipated need for such an action. The Shire's DCRS confirmed that the scope of the non-portable water supply is fixed and all 203 lots have been built on.	NP	NR
18.	Additional Water Services - Ensuring water service works are done	Section 84(2)	If the licensee has given a notice under section 83(3)(a) of the Act, and the licensee is satisfied that the person given the notice is not going to comply with the notice within a reasonable time, the licensee must give the person 21 days' notice of its intention to commence the works.	4	The auditor confirmed by interview with the Shire's DCRS that, during the audit period, there was no requirement for additional water services. As such, no notice under section 83(3)(a) of the Act was given by the licensee. The Shire is licenced to provide non potable water to 203 leasehold residential lots to be used for toilet flushing and garden watering. The scope of the non-portable water supply is fixed and no further connections are available to the Peaceful Bay water supply scheme.	NP	NR

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
19.	Review of decisions (Additional Water Services - Ensuring water service works are done)	Section 87(2)	If a person makes an application with the State Administrative Tribunal for a review of a decision in respect of the licensee providing additional water services when a person has not responded to the licensee's notice, the licensee cannot provide the works until the application has been finally dealt with, except in limited circumstances.	4	As per item 18.	NP	NR
20.	Construction near water service works	Section 90(7)	If the licensee gives a compliance notice to a person who is undertaking construction or carrying out similar works in the vicinity of water service works, the licensee must, to the extent practicable, consult with the owner of the land on which the obstruction is located or the activity is taking place if the person to be given the notice is not the owner of the land.	4	The auditor confirmed by interview with the Shire's DCRS that, during the audit period, no compliance notice was given by the Shire to a person in relation to undertaking construction or carrying out similar works in the vicinity of water service works and there is no anticipated need for such an action. The Shire's DCRS confirmed that the scope of the non-portable water supply is fixed and all 203 lots have been built on.	NP	NR
21.	Termination of water supply	Section 95(3)	The licensee cannot cut off the supply of water to an occupied dwelling unless the occupier agrees to that.	4	The auditor confirmed by interview with the Shire's DCRS that, during the audit period, there was no cut off of non-potable water supply to an occupied dwelling and there is no anticipated need for such an action. The Shire's DCRS confirmed that non-potable water is permanently supplied to all household properties in Peaceful Bay. Regardless of the connection status, all customers pay for the water service through the property lease fees. Customers can voluntarily disconnect from the scheme, at their own expense, if required.	NP	NR

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
22.	Fire hydrants	Section 96(1)	If the licensee provides water supply reticulation works, or enters into an agreement for the provision of water supply reticulation works, the licensee must install fire hydrants attached to those works in accordance with the requirements of the Department of Fire and Emergency Services (DFES), or the relevant local government as to the location and type of hydrant.	4	Confirmed by interview with the Shire's DCRS that no request was received from DFES to install fire hydrants.	NP	NR
23.		Section 96(5)	The licensee must comply with requests made under sections 96(3) and 96(4) of the Act to the extent practicable and within a reasonable time.	4	As per item 22.	NP	NR
24.	Minister may require connection to sewer works	Section 98(3)	If required to by the Minister, the licensee must connect a wastewater inlet on land to the sewerage works of the licensee.	4	Only applicable to sewerage services.	N/A	N/A
25.	Discharge of Trade Waste - Compliance notice issued by Licensee	Section 106(2)	The licensee must include the information specified in a compliance notice given in relation to failure to maintain fittings, fixtures and pipes.	4	Only applicable to sewerage services.	N/A	N/A

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
28.	Compliance notice issued by Licensee	Section 119(2)	The licensee must include the information specified in a compliance notice given in relation to the matters set out in section 119(1).	4	<p>The auditor confirmed by interview with the Shire's DCRS that, during the audit period, no compliance notices have been issued by the Shire to any party.</p> <p>However, there is no internal procedure governing the issue of the compliance notices and what the notice should contain.</p> <p><i>Re recommendation 05/2015</i></p> <p><i>The Shire should develop and/or update internal procedures with the requirements under the licence re issue of compliance notices, notices of entry to the property owners and application for warrant. The detailed compliance obligations in this report could be used as a reference.</i></p>	D	NR
29.	Review of decisions relating to giving compliance notices	Section 122(2)	If a person makes an application to the State Administrative Tribunal under section 122(1), the licensee cannot take, or continue to take, action against the person except in the circumstances specified.	4	As per item 28.	D	NR
30.	Apportionment of fees between properties	Section 125(2)	If the licensee provides a water supply, sewerage or drainage service to 2 or more dwellings on land by a single property connection, the licensee may apportion fees. The licensee cannot apportion fees to the extent inconsistent with any agreement related to such a provision of services, or section 66 of the <i>Strata Titles Act 1985</i> .	4	The auditor confirmed with the Shire's DCRS and review of the Asset Management System documentation that there are no multiple dwellings served by a single property connection and that there are no separate charges or accounts for the non-potable water services. The Shire's non-potable water service charges are included in Peaceful Bay property lease fees.	N/A	N/A

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
31.	Lodging memorial to secure fees owing	Section 128(4)	If the licensee has previously lodged a memorial with the Registrar, the licensee must lodge a withdrawal of memorial with Registrar along with the prescribed fee (if any) if the charge or contribution has been paid.	4	The auditor confirmed with the Shire's DCRS that, during the audit period, no memorial has been lodged with the Registrar and there is no anticipated need for such an action. The Shire's non-potable water service charges are included in Peaceful Bay property lease fees. There are no separate charges or accounts for the non-potable water services. A lessee is responsible for payment of fees set by the Shire of Denmark as applicable to the property.	N/A	N/A
32.	Notice to property owner	Section 129(5)	If a routine inspection or maintenance is likely to cause disruption to the occupants of a place at least 48 hours' notice of a proposed entry must be given to the occupier of the place unless the occupier agrees otherwise.	4	The auditor confirmed with the Shire's DCRS that, during the audit period, no routine maintenance of the water service works was undertaken that would require entry to the residential dwelling or likely to cause disruption to the occupants of a place. The DCRS advised that it is very unlikely that access to a residential dwelling would ever be required for the purpose of routine maintenance of water service works. However, there is no internal procedure that documents the minimum notice period required. <i>Refer recommendation 05/2015</i>	D	NR
33.		Section 139(3)	If the licensee removes or erects a fence or gate when exercising a works power conferred by the Act, the licensee must take all reasonable steps to notify the owner before doing so.	4	The auditor confirmed with the Shire's DCRS and review of the Asset Management System documentation that the licensee did not exercise ancillary work powers during the audit period. However, there is no internal procedure that documents this requirement. <i>Refer recommendation 05/2015.</i>	D	NR

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
34.	Notice to roads authority	Section 141(1)	In certain instances, if a person authorised by the licensee carries out road work that involves breaking the surface of the road or that would cause major obstruction to road traffic, the licensee must give at least 48 hours' notice to the public authority managing the road.	4	The auditor confirmed with the Shire's DCRS, review of the Asset Management System documentation and drawings that during the audit period the licensee had not carried out any road works that involved breaking the surface of the road or that would cause major obstruction to road traffic. As roads are maintained by the Shire, no notice is required to be given.	N/A	N/A
35.	Proposals for major works (includes WWTP with capacity over 2ML per day, dams, irrigation schemes, etc.)	Sections 142	The licensee must comply with sections 143 and 144 of the Act in relation to the proposed major works, and has given any notice required under section 148.	4	The Authority has been notified of and has approved the asset management system as part of the licence approval. The auditor confirmed by interview with the Shire's DCRS and review of the Asset Management System documentation and drawings that no additional major works have been proposed during the audit period and that there is no anticipated need for such an action. The Shire is licenced to provide non potable water to 203 leasehold residential lots to be used for toilet flushing and garden watering. No further connections are available to the Peaceful Bay water supply scheme.	NP	NR
36.		Sections 143 (2)	Before the licensee submits a proposal for the provision of major works to the Minister, the licensee must prepare, publish and make available plans and details of those major works as specified.	4	As per item 35.	NP	NR
37.		Sections 143 (3)	The licensee must, within 5 days of publishing the plans and details on the licensee's website, give notice setting out the matters prescribed in section 143(4) to the persons and agencies specified.	4	As per item 35.	NP	NR

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
38.		Sections 144(3)	The licensee must have regard to an objection or submission lodged within the relevant period.	4	As per item 35.	NP	NR
39.		Section 145(2)	If the licensee makes alterations to the plans or details referred to in section 143(2), the licensee must give written notice of the alterations to any person who is likely to be adversely affected by those alterations.	4	As per item 35.	NP	NR
40.		Section 147(3)	The licensee must comply with a direction given by a Minister in respect of a proposal to provide water service works that are major works under section 143(3).	4	As per item 35.	NP	NR
41.		Section 147(4)	If the Minister gives a direction that further notices in relation to the proposed major works be given under section 143(3), the licensee must resubmit the proposal.	4	As per item 35.	NP	NR
42.		Proposals for general works (includes new WWTP with capacity up to 2ML per day, reticulation mains and trunk lines, pumping stations, etc.)	Section 151(1)	A licensee proposing to provide water service works that are general works must prepare plans and details of the proposed works and publish and make them available for inspection.	4	The auditor confirmed with the Shire's DCRS and review of the Asset Management System documentation and drawings that no additional general works have been proposed during the audit period and that there is no anticipated need for such an action. The Shire is licenced to provide non potable water to 203 leasehold residential lots to be used for toilet flushing and garden watering. No further connections are available to the Peaceful Bay water supply scheme.	NP
43.		Section 151(2)	The licensee must give a notice setting out the matters referred to in section 151(3) to the persons and agencies specified.	4	As per item 42.	NP	NR

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
44.		Section 152(3)	The licensee must have regard to an objection or submission lodged by the date specified in the notice given under section 151(2).	4	As per item 42.	NP	NR
45.		Section 153(3)	If the licensee makes alteration to those plans or details referred to in section 151, the licensee must give written notice of the alterations to any person who is likely to be adversely affected by those alterations.	4	As per item 42.	NP	NR
46.	Interest in land	Section 166(5)	On being advised by the Minister that an interest in land is appropriate to the licensee's needs, the licensee is required to acquire the interest.	4	The auditor confirmed by interview with the Shire's DCRS that, during the audit period, no advice has been received from the Minister to acquire the interest in land and that there is no anticipated need for such an action.	NP	NR
47.		Section 166(6)	Any costs incurred in taking an interest in land are to be paid by the licensee.	4	As per item 46.	NP	NR
48.		Section 170	The licensee must not sell an interest in land if the purchaser would hold a parcel of land that did not comply with the minimum lot size and zoning requirements under the <i>Planning and Development Act 2005</i> , unless the Minister permits the licensee to do so.	4	As per item 46.	NP	NR
49.	Notice of entry to property and authority to enter	Section 173(4)	In relation to entry to a place for the purposes of doing works, in the circumstances specified the licensee is required to give 48 hours' notice of proposed entry to a place to the occupier or owner, as applicable, unless the occupier or owner agrees otherwise.	4	The auditor confirmed with the Shire's DCRS that, during the audit period, no entry to the residential dwelling was required for the purposes of doing works. However, there is no internal procedure that documents the minimum notice period required. <i>Refer recommendation 05/2015.</i>	D	NR
50.		Section 174(1)	Notice of a proposed entry by the licensee must be in writing and must set out the purpose of the entry, including (if applicable) any work proposed to be carried out.	4	As per item 49.	D	NR

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
51.		Section 174(3)	Even if in a particular instance the licensee may enter a place under the Act without having to give notice of proposed entry, the licensee must when practicable, and when it will not compromise the reason for entry, give notice of entry to the occupier.	4	As per item 49.	D	NR
52.		Section 175(2)	If an occupier is present when the licensee proposes to enter a dwelling, the licensee must perform the prescribed actions before entering the premises.	4	As per item 49.	D	NR
53.		Section 175(5)	If the licensee enters a dwelling that is unoccupied, the licensee must leave a notice or a copy of the warrant (as applicable) in a prominent position in the dwelling before leaving the dwelling.	4	As per item 49.	D	NR
54.		Section 176(1)	If the licensee has entered a place with or without consent, the licensee must leave the premises as soon as practicable after being notified that the owner or occupier has refused or withdrawn their consent.	4	As per item 49.	D	NR
55.		Section 176(3)	The licensee must produce their certificate of authority if asked to do so, and must not perform, or continue to perform, a function under the Act until they are not able to do so.	4	As per item 49.	D	NR
56.		Section 176(4)	If the licensee enters or proposes to enter a place, and the owner or occupier requests the licensee produce evidence of authority for that entry, then the licensee must leave the place if they are unable to do so unless the owner or occupier agrees otherwise.	4	As per item 49.	D	NR
57.		Section 181	The licensee, or a person assisting the licensee, must, as far as is practicable comply with any reasonable request from the owner or occupier intended to limit interference with the lawful activities of the owner or occupier.	4	As per item 49.	D	NR

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
58.		Section 186	If the licensee applies for a warrant, the application must contain the prescribed information.	4	The auditor confirmed by interview with the Shire's DCRS that, during the audit period, no application was made by the licensee for a warrant. Although the Local Government Act 1995 provides grounds for application for a warrant, there is no internal procedure in place governing a warrant issued under the Water Services Act 2012, however unlikely. <i>Refer recommendation 05/2015.</i>	D	NR
59.		Section 187(1) – (3)	If the licensee applies for a warrant to enter, the application must be made in accordance with the procedures specified depending on the location of the applicant and the justice.	4	As per item 58.	D	NR
60.		Section 190(4)	Unless required to give a copy of the warrant, the licensee executing the warrant must produce the warrant for inspection by the occupier of the place concerned on entry (if practicable), and if requested to do so.	4	As per item 58.	D	NR
61.		Section 190(5)	On completing the execution of a warrant the licensee must record the prescribed information on that warrant.	4	As per item 58.	D	NR
62.		Section 210(5)	If the licensee designates a person as an inspector or compliance officer, the licensee must give that person a certificate of authority that includes certain prescribed information.	4	The auditor confirmed by interview with the Shire's DCRS that no person is currently designated as an inspector or compliance officer.	NP	NR
63.		Section 218(2)	In the exercise or purported exercise of a power under the Act, the licensee must ensure that, to the extent practicable, the free use of any place is not obstructed, and that as little damage, harm or inconvenience is caused as is possible.	4	As per item 49 and 58. There is no internal procedure. <i>Refer recommendation 05/2015.</i>	D	NR

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
64.		Section 218(3)	If the licensee does any physical damage in the exercise of a works power or a power of entry, the licensee must ensure that the damage is made good, and pay compensation to the extent that it is not practicable to make good the damage.	4	The auditor confirmed with the Shire's DCRS that, during the audit period, no physical damage has been done in the exercise of a works power or a power of entry. The Shire's Customer Service Charter for Water Supply Services is available on the Shire's website. The charter stipulates the Shire's liability for loss or damage in relation to water services works and rights of compensation. Any compensation claims for damage would be dealt with via the Shire's insurance.	NP	NR
Water Services Regulations 2012							
74.	Works affecting roads	Regulation 60(2)	If the licensee proposes to exercise a works power in a road and considers that it is necessary to alter the position of infrastructure, the licensee must notify the person who is responsible for the infrastructure and may request that the person make the alterations within the time specified in the notice.	4	The auditor confirmed by interview with the licensee's staff, review of the Asset Management System documentation and drawings that during the audit period the licensee did not propose to exercise and did not exercise a works power in a road.	NP	NR
75.		Regulation 63	If the licensee opens or breaks up the surface of a road, the licensee must complete the relevant work and reinstate and make good the road, and must take all reasonable measures to prevent that part of the road from being hazardous.	4	As per item 74.	NP	NR

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
89.	Compliance notice issued by licensee to include consequences and rights	Regulation 85	Compliance notices issued by the licensee must include a brief description of the possible consequences under the Act of not complying with the notice, and the rights of review under the Act in relation to the notice and who may apply for review.	4	The Shire's DCRS confirmed that no compliance notice has been issued by the Shire during the audit period. Although, Section 3.25 of the Local Government Act 1995 provides ground for issue of compliance notices to owner or the occupier of the land in certain circumstances, there is no internal procedure governing the issue of the compliance notices and what the notice should contain. <i>Refer recommendation 05/2015.</i>	D	NR
Water Services Code of Conduct (Customer Service Standards) 2013							
92.	Information for customers	Clause 7	The licensee must have written information for customers about the specified matters.	4	Although not mandatory after 17 November 2013, the Shire's Customer Service Charter for Water Services is still available on the Shire's website. The charter is generally consistent with the licence provision in covering all the service issues likely to be of concern to the Shire's customers and provide the required information. The Shire of Denmark's non-potable water service charges are included in Peaceful Bay property lease fees. There are no separate charges or accounts for the non-potable water service. A lessee is responsible for payment of fees set by the Shire of Denmark as applicable to the property.	A	1
93.	Timeliness of connections	Clause 8	The licensee must ensure that, in any 12 month period, 90% of connections are completed before the end of 10 business days, starting on the day on which the customer has paid the relevant fees and complied with the relevant requirements.	4	There were no new connections over audit period.	NP	NR

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
94.	Annual service charges	Clause 9	The licensee must issue a bill for non-quantity charges to each customer at least once in every 12 month period.	4	Confirmed with the Shire's DCRS that there are no separate charges or accounts for the non-potable water service. Therefore no bills for non-potable water services are being issued. The Shire of Denmark's non-potable water service charges are included in Peaceful Bay property lease fees that are being determined based on the Gross Rental Value (GRV). A lessee is responsible for payment of fees set by the Shire of Denmark as applicable to the property.	N/A	N/A
95.	Usage bills at least 6 monthly	Clause 10(2)	The licensee must issue a bill for usage to each customer at least once in every 6 month period.	4	Confirmed with the Shire's DCRS that no usage charges are billed for non-potable water supply.	N/A	N/A
96.		Clause 10(3)	The licensee must ensure a bill for usage is based on a meter reading to ascertain the quantity supplied or discharged.	4	As per item 95.	N/A	N/A
97.		Clause 10(4)	If an accurate meter reading is not possible, a bill for usage must be based on estimation (in accordance with the prescribed regulations) of the quantity of water supplied or waste water discharged.	4	As per item 95.	N/A	N/A
98.		Clause 10(5)	If an accurate meter reading is not possible and there are no applicable regulations, a bill for usage must be based on a reasonable estimate of supply or discharge using one of the prescribed methods.	4	As per item 95.	N/A	N/A

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
99.	Address for billing	Clause 11	The licensee must send a bill to the address of the place where the water service is provided or, if the customer nominates another address, to the nominated address.	4	Confirmed with the Shire's DCRS that there are no separate charges or accounts for the non-potable water service. Therefore no bills for non-potable water services are being issued. The Shire of Denmark's non-potable water service charges are included in Peaceful Bay property lease fees that are being determined based on the Gross Rental Value (GRV). A lessee is responsible for payment of fees set by the Shire of Denmark as applicable to the property.	N/A	N/A
103.	Basis of billing estimate	Clause 13(1)	If a bill is based on an estimate, the licensee must tell the customer on request the basis of the estimate and the reason for the estimate.	4	Confirmed with the Shire's DCRS that there are no separate charges or accounts for the non-potable water service. Therefore no bills for non-potable water services are being issued. The Shire of Denmark's non-potable water service charges are included in Peaceful Bay property lease fees that are being determined based on the Gross Rental Value (GRV).	N/A	N/A
104.		Clause 13(2)	The licensee must make any adjustments to the next bill to take into account the extent to which the estimate was not reasonable having regard to a subsequent and accurate meter reading.	4	As per item 103.	N/A	N/A
105.	Request for meter reading	Clause 14(1)	The licensee must provide to the customer on request a meter reading and a bill in in the prescribed circumstances.	4	As per 95, no usage charges are billed for non-potable water supply.	N/A	N/A
106.	Higher than normal usage	Clause 15	The licensee must have a publicly available written policy, standard or set of guidelines in relation to granting a discount to a customer whose meter reading indicates a water usage that is higher than normal for the customer but is likely to have been wasted because of a leak.	4	As per 95, no usage charges are billed for non-potable water supply.	N/A	N/A

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
107.	Under and over charges	Clause 16(2)	The licensee cannot recover an undercharged amount from a customer unless it is for water services provided in the 12 month period ending on the day on which the licensee informed the customer of the undercharging.	4	Confirmed with the Shire's DCRS that there are no separate charges or accounts for the non-potable water service. Therefore no bills for non-potable water services are being issued. The Shire of Denmark's non-potable water service charges are included in Peaceful Bay property lease fees that are being determined based on the Gross Rental Value (GRV). A lessee is responsible for payment of fees set by the Shire of Denmark as applicable to the property.	N/A	N/A
108.		Clause 16(3)	An undercharged amount must be the subject of, and explained in, a special bill or a separate item in the next bill. The licensee cannot charge interest or late payment fees on an undercharged amount. The licensee must allow a customer to pay an undercharged amount by way of a repayment plan as specified in the code of conduct.	4	As per item 107.	N/A	N/A
109.		Clause 16(4)	The licensee must not charge interest or late payment fees on an undercharged amount.	4	As per item 107.	N/A	N/A
110.		Clause 16(5)	The licensee must allow a customer to pay an undercharged amount by way of a repayment plan that has effect for the duration of shorter of the prescribed periods starting on the day that the bill in clause 16(3) is issued.	4	As per item 107.	N/A	N/A
111.		Clause 17(1)	If the licensee overcharges a customer, the licensee must credit the customer's account and must immediately afterwards notify the customer, or inform the customer of the overcharging and recommended options for refunding or crediting the overcharged amount.	4	As per item 107.	N/A	N/A

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
112.		Clause 17(2)	The licensee must, in accordance with the customer's instructions, refund or credit the customer's account within 15 business days from starting on the day the licensee receives the instructions.	4	As per item 107.	N/A	N/A
113.	Review of bill	Clause 18(1)	The licensee must review a bill on the customer's request.	4	Confirmed with the Shire's DCRS that there are no separate charges or accounts for the non-potable water service. Therefore no bills for non-potable water services are being issued. The Shire of Denmark's non-potable water service charges are included in Peaceful Bay property lease fees that are being determined based on the Gross Rental Value (GRV). A lessee is responsible for payment of fees set by the Shire of Denmark as applicable to the property.	N/A	N/A
114.		Clause 18(2)	The license must have a written procedure for the review of a bill on the customer's request.	4	As per item 113.	N/A	N/A
115.		Clause 18(3) & (6)	The review procedure in clause 18(2) must include the specified information and be publicly available.	4	As per item 113.	N/A	N/A
116.		Clause 18(4)	The review procedure must state that the customer may, but does not have to, use the licensee's complaints procedure mentioned in clause 35 before or instead of applying to the water services ombudsman or, if available, making an appeal from, or applying for a review or, the decision under regulations mentioned in section 222(2)(k) of the Act.	4	As per item 113.	N/A	N/A

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
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	As per item 113.	N/A	N/A
118.	At least 14 days for payment	Clause 20	The time set by the licensee for the payment of a bill must be after 14 days from when the bill is issued.	4	Confirmed with the Shire's DCRS that there are no separate charges or accounts for the non-potable water service. Therefore no bills for non-potable water services are being issued. The Shire of Denmark's non-potable water service charges are included in Peaceful Bay property lease fees that are being determined based on the Gross Rental Value (GRV). A lessee is responsible for payment of fees set by the Shire of Denmark as applicable to the property.	N/A	N/A
119.	Payment methods	Clause 21(1)	The licensee must allow a customer to pay a bill using any of the prescribed methods selected by the customer.	4	As per item 118.	N/A	N/A
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	As per item 118.	N/A	N/A
121.		Clause 22	Before receiving a bill payment by direct debit the licensee must obtain the express consent, either orally or in writing, of the holder of the account to be debited and of the customer or an adult person nominated by the customer, to do so.	4	As per item 118.	N/A	N/A
122.	Payment in advance	Clause 23(1)	The licensee must accept payment in advance from a customer on a customer's request.	4	As per item 118.	N/A	N/A

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
123.	Redirection of bills	Clause 24	The licensee must on request and at no charge redirect a customer's bills because of the customer's absence or illness.	4	As per item 118.	N/A	N/A
124.	Payment plan	Clause 25	The licensee must allow a customer to pay a bill under a payment plan or other arrangement under which the customer is given more time to pay the bill or to pay arrears if the customer is assessed by the licensee as experiencing payment difficulties.	4	Confirmed with the Shire's DCRS that there are no separate charges or accounts for the non-potable water service. Therefore no bills for non-potable water services are being issued. The Shire of Denmark's non-potable water service charges are included in Peaceful Bay property lease fees that are being determined based on the Gross Rental Value (GRV). A lessee is responsible for payment of fees set by the Shire of Denmark as applicable to the property.	N/A	N/A
132.		Clause 28(1)	Before the licensee enters into a payment plan or other similar arrangement with a customer who is not the owner of the land in respect of which the water service is provided, the licensee must ensure that the owner is aware of the proposed plan or arrangement.	4	As per item 124.	N/A	N/A
133.		Clause 28(4) & (5)	The licensee must have publicly available written information regarding the payment plans, arrangements and other assistance that is available to customers.	4	As per item 124.	N/A	N/A
134.	Debt recovery	Clause 29	The licensee must not commence or continue proceedings to recover a debt from a customer who is complying with a payment plan or other arrangement, or who is being assessed for payment difficulties or who is being assessed for financial hardship.	4	As per item 124.	N/A	N/A

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
139.	Reducing flow rate	Clause 33	The licensee must not reduce the rate of flow of water to a customer to below 2.3 litres each minute.	4	Confirmed with the Shire's DCRS and review of the Asset Management System documentation and drawings that the non-potable water supply to leasehold residential lots is only used for toilet flushing and garden watering.	N/A	N/A
142.	Timeframe to restore service	Clause 34(4)	The licensee (other than the Water Corporation) must restore a water supply to land within the specified timeframe, unless the licensee and customer expressly agree otherwise.	4	This clause is applicable to supply of drinking water.	N/A	N/A
144.		Clause 34(6)	The licensee (other than the Water Corporation) must ensure that there is a 90% compliance rate with clause 34(4) in any 12 month period ending on 30 June.	4	This clause is applicable to supply of drinking water.	N/A	N/A
145.	Complaints procedure	Clause 35(1)	The licensee must have a written complaints procedure in relation to investigating and dealing with complaints of customers about the provision of water services by the licensee or a failure by the licensee to provide a water service.	3	The Shire's Complaints Management Policy was sighted. The Policy covers all aspects of the Shire's services including water services. In addition, the Shire's Customer Service Charter for Water Supply Services contains a complaint procedure in Section 2.7 - Enquiries, suggestions, complaints and disputes that specifically covers water supply services.	A	1
146.		Clause 35(2)	The licensee's complaints procedure must be developed using as minimum standards, the relevant provisions of the AS ISO 10002-2006 and the Authority's guidelines (if any).	3	The Shire's Complaints Management Policy and complaint procedure in the Customer Service Charter collectively cover the relevant provisions of the AS ISO 10002-2006 and the Authority's Customer Complaints Guidelines dated October 2008.	A	1
147.		Clause 35(3)	The licensee's complaints procedure must provide for the matters specified in relation to lodgement of complaints, responding to complaints, dispute resolution arrangements and resolving complaints.	3	The Shire's Complaints Management Policy and complaint procedure in the Customer Service Charter collectively cover the requirements of this clause of the Water Services Code of Conduct (Customer Service Standards) 2013.	A	1

No 3	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
148.		Clause 35(4)	The licensee's complaints procedure must inform the customer that they do not have to use the licensee's complaints procedure, provide details of procedures under the Act, and set out the costs and benefits to the customer if they use the complaint resolution procedure or instead of the procedures under the Act.	3	<p>The audit reviewed The Shire's Complaints Management Policy and complaint procedure in the Customer Service Charter and noted that the complaints procedure does not inform the customer that they do not have to use the licensee's complaints procedure, provide details of procedures under the Act, and set out the costs and benefits to the customer if they use the Shire's complaint resolution procedure instead of the procedures under the Act, in accordance with the Water Services Code of Conduct (Customer Service Standards) 2013.</p> <p>This audit also noted other references need to be updated such as deleting the previous Water Services Licencing Act 1995 and including the new 24 hour emergency telephone number (other contact numbers are stated).</p> <p><i>Recommendation 02/2015</i></p> <p><i>The Shire should update its complaints procedure in the Customer Service Charter for Water Supply Services to:</i></p> <ul style="list-style-type: none"> <i>a) update references to the previous Water Services Licensing Act 1995 with the current legislation of Water Services Act 2012 (WA), including deleting the option to refer complaints to the Department of Water;</i> <i>b) state that a customer may, but does not have to, use the complaints procedure before or instead of the procedures under the Act i.e. applying to the Water Services Ombudsman or making an appeal from, or applying for a review of, the decision to the State Administrative Tribunal;</i> <p><i>Cont'd</i></p>	C	2

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
					<p>c) <i>in addition to an option of applying to the Water Services Ombudsman, list the option of making an appeal from, or applying for a review of, the decision that gave rise to the complaint to the State Administrative Tribunal; and</i></p> <p>d) <i>set out the benefits to the customer, in relation to time and costs, if the customer chooses to use the complaints procedure before or instead of the procedures under the Act i.e. Water Services Ombudsman or State Administrative Tribunal.</i></p> <p>e) <i>include the 24 hour emergency telephone number in the list of emergency contacts.</i></p>		
149.		Clause 35(6)	The licensee's complaints procedure must be publicly available.	3	<p>The definition of "publicly available" per Clause 3 of the Water Services Code of Conduct is website and hardcopy.</p> <p>The Shire's Complaints Management Policy as well as the Customer Service Charter are publicly available on the Shire's website and in the Shire's office.</p>	A	1

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
150.	No charge for information	Clause 36(1)	The licensee must provide a customer with the specified services on request and at no charge.	4	<p>Under this Section of Code the licensee must provide a customer with the following on request and at no charge:</p> <ul style="list-style-type: none"> a) services for account, payment and general enquiries for use by customers with hearing or speech impaired; b) interpreter services for account, payment and general enquiries; c) a large-print version of any of the licensee's publicly available documents. <p>The Shire's DCRS confirmed that although there are no separate charges or accounts for the non-potable water service, the Shire is prepared to produce general enquiries information in large print, in a language other than English or in other formats as required when such a request is made. This is also acknowledged in the Shire's Disability Access and Inclusion Plan 2013-2018.</p> <p>The Shire's DCRS advised that, during the audit period, no such request has been received by the licensee.</p>	A	NR
152.	Access to customer information	Clause 36(2)	The licensee must make available to each customer the customer's personal account information.	4	The Shire's DCRS confirmed that there are no separate charges or accounts for the non-potable water service.	N/A	N/A

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
153.	All Code of Conduct information to be publicly available in hardcopy and website	Clause 37(1)	The licensee must make the prescribed information publicly available.	4	The licensee must make the prescribed information publicly available. The definition of "publicly available" per Clause 3 of the Water Services Code of Conduct is website and hardcopy. The auditor noted that the prescribed information the Shire's Customer Service Charter for Water Supply Services and the Shire's Disability Access and Inclusion Plan 2013-2018 collectively contain the prescribed information, as applicable. Both documents are publicly available on the Shire's website and in the Shire's office.	A	1
Licence Conditions – Specific Clauses							
155.	Fees to regulator	Clause 4	The licensee must pay the applicable fees in accordance with the Regulations.	5	The Shire paid the annual licence fee of \$2,885 for 2015.	A	1
156.	Compliance generally	Clause 5.1	Subject to any modifications or exemptions granted pursuant to the Act, the licensee must comply with any applicable legislation.	4	The auditor reviewed compliance with the Water Services Act 2012 and the Water Services Regulations 2013 as per obligations listed in this audit report and concluded that the Shire complies with the Water Services Act 2012 and the Water Services Regulations 2013.	A	1
157.		Clause 5.2	The licensee must comply with any code of practice made by the Minister to the extent it applies to the licensee.	4	No Codes of Practice have been issued by the Minister.	N/A	N/A
158.		Clause 5.3	The licensee must comply with any code of conduct made by the Authority to the extent it applies to the licensee and is not inconsistent with the terms and conditions of the licence.	4	The auditor reviewed compliance with Code of Conduct as per obligations listed in this audit report, and concluded that the licensee generally complies with Code of Conduct with the exception of non-compliance re complaints procedure noted in this audit. <i>Refer recommendation 02/2015</i>	B	2

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
159.		Clause 5.4	The licensee must comply with a direction from the Authority in relation to a breach of applicable legislation.	4	Confirmed by reference to the Authority's website that no Rectification Notice has been issued to the Shire by the Authority.	NP	NR
160.	Compliance with Accounting Standards	Clause 12	The licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.	4	The auditor reviewed the audited Shire's Financial Report for the audit period and confirmed compliance.	A	1
161.	Compliance with performance standards	Clause 13.1	The licensee must comply with any individual performance standards prescribed by the Authority.	4	There are currently no individual performance standards set out in Schedule 3 of the Shire's licence WL39, Version 5, dated 18 November 2013.	N/A	N/A
162.	Operational audit	Clause 14.4	The licensee must cooperate with the independent expert and comply with the Authority's standard audit guidelines dealing with the operational audit.	4	This audit/review was designed in accordance with the Audit Guidelines.	A	1
163.	External administration	Clause 15.1(a), (b), (c)	The licensee must report to the Authority, in the manner prescribed, if a licensee is under external administration or there is a material change in the circumstances upon which the licence was granted which may affect a licensee's ability to meet its obligations.	4	The auditor confirmed by interview and review of the audited Shire's Financial Report for the year ended 30 June 2015 that there is no external administration. However, as recommended in the previous audit, the Shire's Compliance Schedule, as included in the Asset Management Plan, does not contain any reference to the Shire's obligation to "reporting a change in circumstances". <i>Refer recommendation 01/2015.</i>	B	NR

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
164.	Advise Authority of major or general works	Clause 15.1(d)	The licensee must report to the Authority within 10 business days of providing or undertaking water service works that are major works or general works.	4	<p>The auditor confirmed with the Shire's DCRS and review of the Asset Management System documentation that no additional major works or general works have been proposed, provided or undertaken by the licensee during the audit period and there is no anticipated need for such an action.</p> <p>The Shire is licenced to provide non potable water to 203 leasehold residential lots to be used for toilet flushing and garden watering. No further connections are available to the Peaceful Bay water supply scheme.</p> <p>The requirement to notify the Authority of any significant change to the asset management system within 10 days of change is included in the Shire's Compliance Schedule, as included in the Asset Management Plan.</p>	NP	NR

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
165.	Provision of information to Authority	Clause 16.1	The licensee must provide the Authority any information that the Authority may require in connection with its functions under the Act in the time, manner and form specified by the Authority.	4	<p>In accordance with the Water Compliance Reporting Manual April 2014, 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 auditor reviewed the Shire's correspondence with the Authority and the Compliance and Performance Reports for 2013/14 and 2014/15 and noted that the Performance Report for 2014/15 was submitted on 10th August 2015 and therefore after the due date. This should be included in the 2015/16 Compliance Report as a minor non-compliance.</p> <p><i><u>Recommendation 03/2015</u></i> <i>The Shire should ensure that all future Performance Reports are submitted to the Authority within the timeframes required.</i></p>	B	2

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
166.	Compliance reporting to Authority	Clause 16.2	The licensee must comply with any information reporting requirements prescribed by the Authority, including but not limited to the provisions of the <i>Water Compliance Reporting Manual</i> that apply to the licensee.	4	<p>As per item 165, the auditor reviewed the licensee's correspondence with the Authority and licensee's Compliance and Performance Reports for the years ending 30 June 2014 and 2015 and confirmed compliance with the information reporting requirements prescribed by the Water Compliance Reporting Manual.</p> <p>Section 9.3.2.3 of the Audit and Review Guidelines: Water Licenses July 2014 states that the Authority expects licensees to maintain a compliance (or breach) register in respect of their licence conditions. The Shire's DCRS advised that they don't keep a compliance register. Therefore the auditor was unable to determine whether the compliance reports sent to the Authority during the audit period are consistent with the compliance register.</p> <p><u><i>Recommendation 04/2015</i></u></p> <p><i>The Shire should maintain a compliance breach register in respect of their licence conditions to ensure that all contraventions of the licence conditions for each financial year are reported to the Authority in the annual Compliance report.</i></p>	B	1
167.	Performance reporting to Authority	Clause 16.3	The licensee must provide the Authority with the data required for performance reporting purposes that is specified in <i>Water Compliance Reporting Manual</i> , and the National Performance Framework that apply to the licensee.	4	The auditor reviewed the Shire's correspondence with the Authority and Shire's Performance Reports for the years ending 30 June 2014 and 2015 and confirmed the Shire provided the Authority with the data required for performance reporting purposes in the time and format required.	A	1

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
168.	Publishing information	Clause 17.2	Subject to clause 17.3, the licensee must publish within the specified timeframe any information that the Authority has directed the licensee to publish under clause 17.1.	4	The auditor reviewed correspondence with the Authority in the audit period and confirmed that in the audit period the Shire was not directed by the Authority to publish any information.	NP	NR
169.	Notices in writing	Clause 18.1	Unless otherwise specified, all notices must be in writing.	4	The auditor reviewed correspondence with the Authority in the audit period and confirm compliance. All correspondence observed was in hardcopy letter or email.	A	1
170.	Notify Authority of asset management system (AMS)	Clause 20.1	The licensee must provide for, and notify the Authority of, an asset management system within the specified time unless otherwise notified by the Authority.	4	The Authority has been notified of and has approved the asset management system as part of the licence approval.	A	1
171.	Notify Authority of material change to AMS	Clause 20.2	The licensee must notify the Authority of any material change to the asset management system within 10 business days of the change.	4	The auditor confirmed with the Shire's DCRS, review of Asset Management System documentation and observation that no material changes were made to the asset management system during the audit period. The requirement to notify the Authority of any "significant change to the asset management system" within 10 days of the change is not included in the Compliance Schedule in the Asset Management Plan (only "major changes to the Plan" itself whereas the system includes the procedures, work plans, asset register, staffing, supervision and management reporting).	B	NR
172.	Asset Management System Review	Clause 20.6	The licensee must cooperate with the independent expert and comply with the Authority's standard guidelines dealing with the asset management system review.	4	This review is being undertaken in accordance with the Audit and Review Guidelines.	A	1

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
173.	Ombudsman scheme	Clause 21.1	The licensee must not supply water services to customers unless the licensee is a member of and bound by the water services ombudsman scheme.	4	Confirmed by interview with the Shire's DCRS and review of the correspondence between the licensee and the Energy and Water Ombudsman (WA) that the licensee is a member of the Water Services Ombudsman Scheme.	A	1
174	Customer contract	Clause 22.1	Subject to the Act and the terms of a customer contract that apply to the water service, the licensee must supply water services in accordance with the terms and conditions set out in Schedule 4 (if any).	4	There is currently no customer contract in place between the Shire and customers.	NP	NR
175.		Clause 23.1	If directed by the Authority, the licensee must submit a draft customer contract for approval.	4	As per item 174.	NP	NR
176.		Clause 23.2	The licensee must comply with any <i>Customer Contract Guidelines</i> that apply to the licensee.	4	As per item 174.	NP	NR
177.		Clause 23.3	The licensee may only amend the customer contract with the Authority's approval.	4	As per item 174.	NP	NR
178.		Clause 23.6	The licensee must comply with any direction by the Authority to amend the customer contract.	4	As per item 174.	NP	NR
179.		Clauses 24.1 and 24.2	Unless clause 24.3 applies, the licensee cannot enter into an agreement with a customer to provide water services that exclude, modify or restrict the terms and conditions of the licence or the requirements of the <i>Customer Services Code</i> without the prior approval of the Authority.	4	As per item 174.	NP	NR
180.		Clause 24.4	If the licensee enters into an agreement that excludes, modifies or restricts the terms and conditions of the licence or the requirements of the <i>Customer Services Code</i> , the licensee must publish an annual report containing the information specified.	4	As per item 174.	NP	NR

No ₃	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
181.	Obligations of supplier of last resort	Clause 25.1	If the licensee is appointed as the supplier of last resort for a designated area, the licensee must perform the functions of a supplier of last resort, comply with the duties imposed by the Act and carry out its operations under or for the purpose of the last resort plan in accordance with the Act.	4	The auditor confirmed with the Shire's DCRS that the Shire was not appointed as a supplier of last resort.	N/A	N/A
182.	No services outside operating area	Clause 28.1(b)	If the licensee provides a water service outside of the operating area the licensee must apply to amend the licence unless otherwise notified by the Authority.	4	The auditor confirmed by interview with the Shire's DCRS , review of Asset Management System documentation and drawings and observation that the Shire does not provide a water service outside of the operating area set out in Plan Number: OWR-OA-294(C).	N/A	N/A

2.7 Current Audit Non-Compliances and Recommendations

A. Resolved during current audit period			
Manual Reference	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating/Details)	Date Resolved (& management action taken)	Auditor's Comments

B. Unresolved at end of current audit period			
Reference (no./year) Obligation (no.)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating//Details)	Auditor's Recommendation	Management Action taken by end of audit period
01/2015 (7, 12,163, 171)	<p>Compliance and duties of the licensee <i>Water Services Act 2012 Clauses 26, 27 and 29</i> <i>Compliant (Opportunity for improvement)</i></p> <p>As noted in the previous audit (<i>Refer recommendation 01/2013</i>), Section 12 of the document entitled: "Peaceful Bay – Non Potable Water Supply - 2013 Asset Management Plan" contains a schedule entitled: "Compliance Schedule" (Schedule). This Schedule, with two exceptions, comprehensively lists reportable compliance obligations included in the Operating Licence. However, the Schedule:</p> <ul style="list-style-type: none"> • Refers to reporting "significant change to asset management plan" and not "material change to the asset management system" as referred to in the Water Services Operating Licence; • Contains no reference to the Shire's obligation to "reporting a change in circumstances" as contained in section 15 of the Water Services Operating Licence dated 18 November 2013; • Refers to the Water Services Licensing Act 1995 and not the Water Services Act 2012 (WA); and • Do not contain Operating Licence references for the compliance obligations it contains. 	<p>As recommended in the previous audit, amend the Compliance Schedule, as included in the Asset Management Plan, to:</p> <ul style="list-style-type: none"> • Refer to the obligation to notify the ERA of "material change to the asset management system within 10 days"; • Refer to the obligation to report a change in circumstances, as envisaged in section 15 of the Water Services Act 2012 (WA); • Include an appropriate reference to the Water Services Act 2012 (WA); and • Disclose Operating Licence references for the compliance obligations it contains. 	Nil

B. Unresolved at end of current audit period			
Reference (no./year) Obligation (no.)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating//Details)	Auditor's Recommendation	Management Action taken by end of audit period
02/2015 (11,148, 158)	<p>Complaints Procedure</p> <p><i>Water Services Code of Conduct (Customer Service Standards) 2013 Clause 35(4)</i></p> <p><i>Non-compliant – minor impact</i></p> <p>The audit reviewed the Shire's Complaints Management Policy and complaint procedure in the Customer Service Charter and noted that the complaints procedure does not inform the customer that they do not have to use the licensee's complaints procedure, provide details of procedures under the Act, and set out the costs and benefits to the customer if they use the Shire's complaint resolution procedure instead of the procedures under the Act, in accordance with the Water Services Code of Conduct (Customer Service Standards) 2013.</p> <p>This audit also noted other references need to be updated such as deleting the previous Water Services Licencing Act 1995 and including the new 24 hour emergency telephone number (other contact numbers are stated).</p>	<p>The Shire should update its complaints procedure in the Customer Service Charter to:</p> <ul style="list-style-type: none"> a) update references to the previous Water Services Licencing Act 1995 with the current legislation of Water Services Act 2012 (WA), including deleting the option to refer complaints to the Department of Water; b) state that a customer may, but does not have to, use the complaints procedure before or instead of the procedures under the Act i.e. applying to the Water Services Ombudsman or making an appeal from, or applying for a review of, the decision to the State Administrative Tribunal; c) in addition to an option of applying to the Water Services Ombudsman, list the option of making an appeal from, or applying for a review of, the decision that gave rise to the complaint to the State Administrative Tribunal; and d) set out the benefits to the customer, in relation to time and costs, if the customer chooses to use the complaints procedure before or instead of the procedures under the Act i.e. Water Services Ombudsman or State Administrative Tribunal; and e) include the 24 hour emergency telephone number in the list of emergency contacts. 	Nil

B. Unresolved at end of current audit period			
Reference (no./year) Obligation (no.)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating//Details)	Auditor's Recommendation	Management Action taken by end of audit period
03/2015 (165)	<p>Performance and Compliance Reporting</p> <p><i>Licence Conditions – Specific Clauses – Provision of Information Clauses 16.1 and 16.2</i></p> <p><i>Non-compliant – minor impact</i></p> <p>In accordance with the Water Compliance Reporting Manual (April 2014), 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 auditor reviewed the Shire's correspondence with the Authority and the Compliance and Performance Reports for 2013/14 and 2014/15 and noted that the Performance Report for 2014/15 was submitted on 10th August 2015 and therefore after the due date. This should be included in the 2015/16 Compliance Report as a minor non-compliance.</p>	The Shire should ensure that all future Performance Reports are submitted to the Authority within the timeframes required.	Nil
04/2015 (166)	<p>Compliance Register</p> <p><i>Licence Conditions – Specific Clauses – Provision of Information Clause 16.2</i></p> <p><i>Compliant (Opportunity for improvement)</i></p> <p>Section 9.3.2.3 of the Audit and Review Guidelines: Water Licenses July 2014 states that the Authority expects licensees to maintain a compliance (or breach) register in respect of their licence conditions. The Shire's DCRS advised that they don't keep a compliance breach register.</p>	The Shire should maintain a Compliance Breach register in respect of their licence conditions to ensure that all contraventions of the licence conditions for each financial year are reported to the Authority in the annual Compliance Report.	Nil

B. Unresolved at end of current audit period			
Reference (no./year) Obligation (no.)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating//Details)	Auditor's Recommendation	Management Action taken by end of audit period
05/2015 (28,32,33,4 9,58,63,89)	<p>Internal Policies and Procedures relating to the Licence</p> <p><i>Water Services Act 2012 sections 119(2), 122(2), 129(5), 139(3), 173(4), 174(1)&(3), 175(2)&(5), 176(1),(3)&(4), 181, 186, 187(1)-(3), 190(4)-(5), 218(2).</i></p> <p><i>Water Services Regulations 2012 – Reg. 85.</i></p> <p><i>Not rated</i></p> <p>The licence includes compliance obligations in respect of issuance of compliance notices, notices of entry to the property owners and application for warrant.</p> <p>Although the audit confirmed these activities had not occurred in the audit period, there are no documented internal procedures that would ensure compliance with these conditions of the licence in future.</p>	<p>The Shire should develop and/or update internal procedures with the requirements under the licence re issue of compliance notices, notices of entry to the property owners and application for warrant.</p> <p>The detailed compliance obligations in this report could be used as a reference.</p>	Nil

2.8 Conclusion

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

Through the execution of the Audit Plan and assessment and testing of the control environment, the information system, control procedures and compliance attitude, the audit team members have gained reasonable assurance that the Shire of Denmark has:

- e) complied with its licence obligations during the audit period from 1 December 2013 to 30 November 2015 with the exception of:
 - the Shire's complaints procedure, as included in the Customer Service Charter for Water Supply Services, does not contain all the information required under the *Water Services Code of Conduct (Customer Service Standards)*.
 - Performance reports were not always submitted by the due dates (one annual report was 12 days late);
- f) 2 of 4 recommended actions from the previous audit have been resolved by action taken. The following recommendations have not yet been fully implemented:
 - a complaints procedure has been documented but it does not contain all the information required under the *Water Services Code of Conduct (Customer Service Standards)*; and
 - the Compliance Schedule, as included in the Asset Management Plan, has not been amended to refer to the obligation to notify the Authority of "material change to the asset management system"; to report a change in circumstances; and to include appropriate references to the Water Services Act 2012 (WA) and the Operating Licence;
- g) established an adequate control environment for ongoing compliance apart from the non-compliance issue noted above concerning complaints; and
- h) maintained the data integrity of reporting to the Authority.

The audit recommended that the Shire:

- update the complaints procedure, as included in the Customer Service Charter for Water Supply Services, to include the details required by the *Water Services Code of Conduct (Customer Service Standards) 2013*;
- ensure that all future Performance Reports are submitted to the Authority within the timeframes required;
- maintain a Compliance Breach Register in respect of their licence;
- develop and/or update internal procedures with the requirements under the licence re issue of compliance notices, notices of entry to the property owners and application for warrant. The detailed compliance obligations in this report could be used as a reference; and
- amend the Compliance Schedule, as included in the Asset Management Plan, to refer to the obligation to notify the Authority of any "material change to the asset management system"; to report a change in circumstances; and include appropriate references to the Water Services Act 2012 (WA) and the Operating Licence.

3. Asset Management System Effectiveness Review

3.1 Objectives and Scope

The objective of the review was to assess the adequacy and effectiveness of the asset management system in place for the undertaking, maintenance and monitoring of the licensee's assets.

The scope of the review included an assessment of the adequacy and effectiveness of the asset management system by evaluating the key processes of:

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

The highest priority asset components based on inherent risk and the previously assessed processes were:

- **Asset Planning** - high inherent risk.
- **Asset Creation and Acquisition** – previous review noted that transfer and bore pumps not refurbished and kept as spares for backup.
- **Environmental Analysis** – high inherent risk.
- **Asset Management Information System** – Previous review noted fragmented record-keeping as proprietary asset management information system not used and not required due to small scale of the scheme.
- **Contingency Planning** - high inherent risk and no training programme.

The review assessed the status of the previous review recommendations and also identified areas where improvement is required.

The review covered the period from 1 December 2013 to 30 November 2015.

3.2 Asset Management Process and Performance Rating Scales

The adequacy of process policy and definition and the performance of the key processes were assessed using the scales described in the tables below. The overall effectiveness rating for each asset management process is based on a combination of the process and policy adequacy rating and the performance rating.

Asset management process and policy definition - Adequacy ratings

RATING	DESCRIPTION	CRITERIA
A	Adequately defined	<ul style="list-style-type: none"> 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).
D	Inadequate	<ul style="list-style-type: none"> Processes and policies are not documented. The asset management information system(s) is not 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 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	Some 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.

3.3 Status of Previous Review Recommendations

Table of Previous Review Ineffective Components Recommendations				
Reference (no./year) Compliance rating	Effectiveness Criteria/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details of further action required. (Including current recommendation ref. if applicable)
A. Resolved before end of previous review period				
	Nil			
B. Resolved during current review period				
05/2013 B3	<p>Asset Creation and Acquisition <i>Projects reflect sound engineering and business decisions.</i></p> <ul style="list-style-type: none"> The Shire's purchase of assets is undertaken in accordance with Local Government Guidelines, in addition to the Shire's own purchasing policy document: " PO 40220"; Asset creation is based primarily on maintaining the assets at minimal cost. Assets such as pumps have in the past been refurbished at regular intervals and retained as spares or replacement units. Recently bore and transfer pumps replaced have not been refurbished – leaving the system without essential spares; and Rather than increase the capacity of the system to meet peak daily demand during Christmas and Easter holiday periods, the Shire implements restrictions in the use of sprinklers to reduce the peak flows. 	Replace or refurbish transfer and bore pumps taken out of service, but not refurbished or replaced if beyond economic repair, urgently.	June 2014	<p>No – No further action</p> <p>The Shire's DCRS advised that the spare pumps have been checked by competent tradespersons and are suitable for service. They do not need replacement or refurbishment.</p> <p>This approach is consistent with the Maintenance Activity Plan.</p>

Table of Previous Review Ineffective Components Recommendations				
Reference (no./year) Compliance rating	Effectiveness Criteria/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details of further action required. (Including current recommendation ref. if applicable)
06/2013 B2	<p>Environmental Analysis <i>Opportunities and threats in the system environment are assessed.</i></p> <p>Environmental Analysis of the water services scheme in the "Existing Environment" section of the AMP is basic and considered appropriate for the non-potable supply. However, some improvement to the "Existing Environment" section of the AMP is required.</p>	Include a brief description of the Human Environment (holiday residences, fishing etc.) and the Natural Environment (terrain, vegetation, soils etc.) in the "Existing Environment" section of the AMP.	Closed	<p>No – No further action</p> <p>The Asset Management Plan is considered to provide an adequate description for non-potable water supply.</p>
07/2013 B2	<p>Risk Management <i>Risks are documented in a risk register and treatment plans are actioned and monitored.</i></p> <ul style="list-style-type: none"> • The Risk Register has been reviewed and risk associated with water contamination included. Some thirteen risks have been assessed and mitigation measures included; • The register is considered adequate; and • A training program has not been implemented. 	Consider inclusion of the identified risks in the training program recommended under the section entitled: "Asset Operations" above.	Closed	<p>No – No further action</p> <p>The current maintenance officer has been provided with on-the-job training and the trades are provided with ongoing training via the pre-season checks.</p> <p>The Environmental Health Officer (EHO) has not been given specific training but has a Graduate Diploma in Environmental Health. A third staff member has been put on but is yet to be introduced to the supply but has trade qualifications and experience with water and sewerage supplies.</p> <p><i>Reviewer: The risk assessment and training are considered adequate for the scheme which is Low risk.</i></p>

Table of Previous Review Ineffective Components Recommendations				
Reference (no./year) Compliance rating	Effectiveness Criteria/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details of further action required. (Including current recommendation ref. if applicable)
08/2013 B2	<p>Asset Planning</p> <p><i>Asset management plan covers key requirements.</i></p> <ul style="list-style-type: none"> The Shire has engaged a consultant who has reviewed the previous AMP and drafted a new document. The new (2013) AMP is considered more than appropriate for the relatively small non-potable water services provided at Peaceful Bay; Some minor editing is being undertaken following the review. A copy of the Reviewer's notes on the AMP has been provided to assist this purpose; and The AMP has not been signed off by the CEO. 	<ul style="list-style-type: none"> Implement the necessary editing/ corrections in notes on the AMP document provided to the Shire by the Reviewer. In particular, the following: <ul style="list-style-type: none"> Undertake measurement of consumption by the caravan park - in addition to non-potable consumption by residents, in order to determine the total water requirements of the system. Amend the stated annual demand figure stated in the AMP if incorrect; Extend the list of emergency contacts to include the Power Authority, Fire Service, Police, Ambulance, Pump Supplier, Plumber and Electrician; Verify that the bore pump can develop the stated flow and pressure to enable bore flow to be diverted away from the soak to the storage tanks; and Include a spare parts list in the AMP. Arrange for the AMP to be signed off by the CEO. 	- June 2014	<p>Yes</p> <p>Further action is required to extend the list of emergency contacts in the AMP as recommended.</p> <p><i>(Refer recommendation 08/2015)</i></p> <p>The following recommendations have been implemented:</p> <ul style="list-style-type: none"> The review confirmed that the Caravan Park has a flow meter. There are no plan to divert the bore flow from the soak to the storage tanks. The AMP contains a spare parts list in the Asset Register. The AMP has been approved by the Shire's DCRS (delegated by the CEO).
09/2013 B2	<p>Asset Operation</p> <p><i>Risk management is applied to prioritise operations tasks.</i></p> <p><i>Staff resources are adequate and staff receives training commensurate with their responsibilities.</i></p> <ul style="list-style-type: none"> The AMP does not include a training program to ensure that more than one officer is able to 	<ol style="list-style-type: none"> Implement a training program for at least the EHO, Water Supply Officer and a member of the Engineering staff; Incorporate the fault alarms, hours run meters and bore water level recording equipment referred to in the AMP; and 	December 2014	<p>No – No further action</p> <p>a) The Shire's DCRS advised that the current maintenance officer has been provided with on-the-job training (evidenced by completion if the weekly/monthly/pre-season</p>

Table of Previous Review Ineffective Components Recommendations				
Reference (no./year) Compliance rating	Effectiveness Criteria/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details of further action required. (Including current recommendation ref. if applicable)
	<p>undertake operational, maintenance or contingency plan duties if the need arises;</p> <ul style="list-style-type: none"> • Reviewer notes the plan refers to the use or recording of faults and status alarms, bore and transfer pump operating hours and draw down of the bore water level during operation. In fact, there are no fault alarms, hours run meters on the bore or transfer pumps, or water level equipment on the supply bore; and • Fault alarms are essential to indicate a problem with an asset and to ensure prompt attention. Hours run meters provide an indication of the relationship between pump running hours and flow volumes and hence pump efficiency. Water level in a bore during operation provides a check on pump performance and bore efficiency. Similarly, a low water fault alarm alerts the operator to a possible problem with the bore construction (e.g. a collapse) or the surrounding aquifer. 	<p>c) Transfer fault alarms to the DCRS's telephone during office hours and the Shire's emergency telephone outside office hours (given the non-continuous attendance of Shire staff at Peaceful Bay and the remote location of the bore site).</p>		<p>checklists) and the trades are provided with ongoing training via the pre-season checks. The Maintenance Activity Plan is also a training tool.</p> <p>b) The Shire's DCRS advised that the hours run meters have been fitted, and alarms are in the budget. A low water alarm will be considered next time the bore is pulled but is not warranted given the low cost of the pump. It should be noted that the supply to the leasehold properties is not dependent on the bore.</p> <p>c) The Shire's DCRS advised that the alarms have not yet been installed and the need for them will be reconsidered once ERA licencing is wound up. There is the caravan park operator in the pump house at least daily during the busy season.</p> <p><i>Reviewer: Considered adequate due to Low risk of scheme.</i></p>

Table of Previous Review Ineffective Components Recommendations				
Reference (no./year) Compliance rating	Effectiveness Criteria/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details of further action required. (Including current recommendation ref. if applicable)
10/2013 B2	<p>Asset Maintenance</p> <p><i>Regular inspections are undertaken of asset condition and performance.</i></p> <p><i>Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.</i></p> <p><i>Failures are analysed and operational/maintenance plans adjusted where necessary.</i></p> <ul style="list-style-type: none"> • The maintenance plan does not include the need for system flow control valves to be operated regularly to prevent their seizure and becoming difficult or impossible to operate during normal or emergency operations; • Three non-metal flow valves at the pumping station and the storage tanks were noted to have broken spindle hand wheels and could not be operated. These valves and any others of similar manufacture should be replaced; and • The AMP does not include a training program to ensure that more than one officer is able to undertake operational, maintenance or contingency plan duties if the need arises. 	<ul style="list-style-type: none"> a) Make provision in the AMP or the Water Supply Officer's written duties for all flow control valves and hydrants in the system to be operated monthly to reduce the risk of seizure during emergency or other operations/ maintenance activities; b) Replace the three non-metal flow valves at the pumping station and the storage tanks with broken spindle hand wheels, and any other valves of similar manufacture; and c) Implement a training scheme for at least the EHO, Water Supply Officer and a member of the Engineering staff. 	December 2014	<p>No – No further action</p> <ul style="list-style-type: none"> a) The flow control valves and hydrants in the system are checked at least monthly. Bore valve was tested during the review and confirmed as operational. Considered adequate. b) The valves have been checked and replaced as necessary. c) The current maintenance officer has been provided with on-the-job training and the trades are provided with ongoing training via the pre-season checks. A formal training schedule is not considered necessary due to the low complexity of the scheme and operation by experienced officers.
11/2013 C2	<p>Asset Management Information System</p> <p><i>Adequate system documentation for users and system operators.</i></p> <ul style="list-style-type: none"> • The Shire has retained its combination of hard copy and electronic records of reports, flow, operations 	<ul style="list-style-type: none"> a) Create an overall electronic folder and appropriate sub-folders to accommodate the relevant records and data associated with the Water Services (in order to maintain orderly management of the assets and to easily extract relevant information). These 	-	<p>Yes</p> <ul style="list-style-type: none"> a) Records have not yet been reorganised. Inspections are driven by manual forms. <p><i>(Refer recommendation 09/2015)</i></p>

Table of Previous Review Ineffective Components Recommendations				
Reference (no./year) Compliance rating	Effectiveness Criteria/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details of further action required. (Including current recommendation ref. if applicable)
	<p>and maintenance records, correspondence etc. - rather than install a commercially available Asset Management Information System (AMIS);</p> <ul style="list-style-type: none"> • Reviewer considers the Shire's approach is appropriate, given the nature of the assets under management. However, the AMIS is fragmented and requires further use of electronic records and consolidation of data currently held on differing hard copy or electronic files; and • While correspondence and financial/budgeting/expenditure data should be retained on the Shire's Local Government "Synergy" system, data and information related to the water services should be contained in a different main and sub-folders. 	<p>would include, but not necessarily be limited to:</p> <ul style="list-style-type: none"> • Verification of operational and maintenance tasks undertaken, dates; • Records of reports/notes accompanying the above reports and action taken if appropriate; • Pump flow meter records, dates and running total of total flows – for each pump and overall; • Records of pump run hours, well drawdown levels; • Record of complaints, call outs, asset fault alarms, nature of the problem and action taken; • Record of water sampling and results of bacteriological and chemical tests and relevant EHO comments/ actions if appropriate. (Note that these data are already recorded electronically and entered by a member of the Shire's admin staff.); • Age, condition and remaining expected life of assets in service or retained as spares; • An updated version of the current asset register, including, current replacement cost (as a check on the estimate included in the AMP), condition, installation year, life expectancy and anticipated replacement date; • Copies of ERA and other authority reports/correspondence; and <p>b) Implement a program to train a Shire Officer to undertake all data entry to the AMIS.</p>		<p>b) Further training for data entry is not considered necessary. Data is recorded manually and saved on the Shire's server.</p>

Table of Previous Review Ineffective Components Recommendations				
Reference (no./year) Compliance rating	Effectiveness Criteria/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details of further action required. (Including current recommendation ref. if applicable)
12/2013 C2	<p>Contingency Plan</p> <p><i>Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.</i></p> <ul style="list-style-type: none"> The previous contingency plans have been reviewed and include all risks identified. The detail of procedures is appropriate provided it is reinforced by training; and A training program has not been implemented. 	<ul style="list-style-type: none"> Implement a training program for at least the EHO, Water Supply Officer and a member of the Engineering staff; Include contingency plan implementation and annual practise in the training program; and Extend the list of emergency contacts to include the Power Authority, Fire Service, Police, Ambulance, Pump Supplier, Plumber and Electrician. 	-	<p>Yes</p> <p>The contingency plan in the AMP has not been tested such as by a desktop scenario with participants (includes training). The list of emergency contacts also needs to be expanded.</p> <p><i>(Refer recommendation 08/2015)</i></p>
13/2013 B2	<p>Financial Planning</p> <p><i>The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.</i></p> <ul style="list-style-type: none"> The Financial Plan in the new AMP allocates all anticipated costs over a forward rolling ten year period. The plan indicates the scheme to be viable – based on anticipated annual increases in both revenue and expenditure over this period; The AMP financial plan also includes an annual contribution (annuity) to a water services reserve fund to cover expected capital costs over the forward ten year period. The annuity calculation is based on an escalation rate of 2.00% and an interest rate of 4.5%; The Shire has recently commissioned a Long Term Financial Plan (LTFP) for the whole Shire. The Shire's Director of Finance and Administration (DFA) 	<ul style="list-style-type: none"> Maintain the Financial Plan as a rolling ten year plan (i.e., the current 2013/14 to 2022/23 plan for this year will be replaced by a 2014/15 to 2023/24 plan next year); Reflect the Financial Plan in the AMP in the future LTFP; Prepare a more detailed estimate of replacement costs: <ul style="list-style-type: none"> Calculate a whole of life cost; and Re-calculate the annual contribution needed to cover expected capital costs. Compare it against the current annual contribution of \$16,250 to the water services reserve fund; and Make adjustments to the current annual contributions to the water services reserve fund if a significant discrepancy is apparent. 	July 2015	<p>No – No further action</p> <p>The AMP includes a 5 year Financial Plan and a Capital Replacement Plan over the life of the assets. The annuity to replace the capital assets has been calculated as \$16,250 per annum and this has been set aside in a reserve since 2013/14.</p> <p>This is considered adequate for by the reviewer for the scale of the scheme.</p>

Table of Previous Review Ineffective Components Recommendations				
Reference (no./year) Compliance rating	Effectiveness Criteria/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details of further action required. (Including current recommendation ref. if applicable)
	<p>has advised that when completed, the LTFP will include the financial plan in the AMP;</p> <ul style="list-style-type: none"> • The financial plan as set out in the AMP has not been incorporated in the Shire's current budget papers - pending completion of the LTFP; • Reviewer is concerned that the AMP's broad assessment may underestimate the replacement value of the assets and hence the amount of the resulting annual reserve contribution needed; and • For example, replacement of the bore is estimated at \$8,000 – which is more likely to be the cost of refurbishment. Similarly, replacement of the 1600 metres long rising main from the bore would be expected to cost more than the rate of \$3.00 per meter apparently used in the asset replacement estimate. Replacement of the power supply is not included. 			
14/2013 B2	<p>Capital Expenditure Planning</p> <p><i>The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.</i></p> <p><i>There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.</i></p> <ul style="list-style-type: none"> • The capital investment plan has been reviewed and a five years forward estimate of annual capital expenditure included in the AMP. The capital expenditure plan for 2013/14 to 2018/19 estimates capital works of \$15,300, all of which is expected to occur in 2013/14. This expenditure includes \$13,260 on the production bore and \$2,040 on the transfer 	<ul style="list-style-type: none"> • Maintain the Capital Expenditure Plan as a rolling five year plan (i.e., the current 2013/14 to 2017/18 plan for this year is replaced by a 2014/15 to 2018/19 plan next year); and • Base future Capital Expenditure Budgets on the capital expenditure estimates included in the AMP. 		<p>No – No further action</p> <p>The AMP includes a 5 year Financial Plan and a Capital Replacement Plan over the life of the assets. The annuity to replace the capital assets has been calculated as \$16,250 per annum and this has been set aside in a reserve since 2013/14.</p> <p>This is considered adequate for by the reviewer for the scale of the scheme.</p>

Table of Previous Review Ineffective Components Recommendations				
Reference (no./year) Compliance rating	Effectiveness Criteria/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details of further action required. (Including current recommendation ref. if applicable)
	<p>pumping station. The above expenditure is incorporated in the Shire's current 2013/2014 budget; and</p> <ul style="list-style-type: none"> • Reviewer expects the implementation of capital related works, as recommended in this Review, will result in additional items of expenditure in the forthcoming five years. 			
15/2013 B2	<p>Review of AMS <i>A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.</i></p> <ul style="list-style-type: none"> • A review of the AMP and the Asset Management Information System (AMIS) was undertaken during 2013 by a Consultant and the Shire's DCRS. This has resulted in a new AMP and the appointment of a Water Supply Officer, operation and maintenance instructions, works schedules and reporting/recording pro-forma sheets – most of which are maintained as hard copies; • While generally appropriate, Reviewer considers the system should be improved and has recommended implementation of additional approaches for recording and recovering information in electronic format; • The AMP contains a timing schedule of compliance processes. The review of all elements of the AMP and the AMIS are listed to be undertaken annually in May and June respectively; • The inside first page of the AMP has a document history which provides for sign-off against each 	<ul style="list-style-type: none"> • Implement the Reviewer's recommendations as included the section entitled: "Asset Management Information System" above; and • Allocate responsibility for the initiation, appointment of a nominee to perform and approval of the annual review of the AMP to the DCRS. 		<p>Yes</p> <p>An external consultant has been retained to provide the Shire with advice and to attend the pre-season checks.</p> <p>There is a Compliance Schedule in section 12 of the AMP that includes review of the Plan in 30 April. The latest version of the AMP provided was reviewed on 27 January 2014. There is no evidence that the AMP has been reviewed since then.</p> <p><i>(Refer recommendation 10/2015)</i></p>

Table of Previous Review Ineffective Components Recommendations				
Reference (no./year) Compliance rating	Effectiveness Criteria/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details of further action required. (Including current recommendation ref. if applicable)
	<p>review, together with the Reviewer's name, review date and nature of any revision undertaken; and</p> <ul style="list-style-type: none"> • In order to avoid reviews being overlooked or otherwise not undertaken, responsibility for the performance of annual reviews should be allocated to a specific person. 			

3.4 Summary of Asset Management System Effectiveness Ratings

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

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

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

ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA	Process and policy definition rating			Performance rating			
2.5 Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	A			1			
3. Asset disposal	A			1			
3.1 Under-utilised and under-performing assets are identified as part of a regular systematic review process.	A			1			
3.2 The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	A			1			
3.3 Disposal alternatives are evaluated.	A			1			
3.4 There is a replacement strategy for assets.	A			1			
4. Environmental analysis		B			2		
4.1 Opportunities and threats in the system environment are assessed.	A			1			
4.2 Performance standards (availability of service, capacity, continuity, emergency response, etc.) are measured and achieved.	A			1			
4.3 Compliance with statutory and regulatory requirements.		B			2		
4.4 Achievement of customer service levels.	A			1			
5. Asset operations	A			1			
5.1 Operational policies and procedures are documented and linked to service levels required.	A			1			
5.2 Risk management is applied to prioritise operations tasks.	A			1			
5.3 Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and accounting data.	A			1			
5.4 Operational costs are measured and monitored.	A			1			
5.5 Staff resources are adequate and staff receive training commensurate with their responsibilities.	A			1			
6. Asset maintenance	A				2		
6.1 Maintenance policies and procedures are documented and linked to service levels required.	A			1			
6.2 Regular inspections are undertaken of asset performance and condition.	A				2		
6.3 Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	A			1			

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

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

3.5 Review Observations and Recommendations

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating ⁶	A	Performance Rating ⁷	1
1	ASSET PLANNING				
1.1	Asset management plan covers key requirements.	The Peaceful Bay Non Potable Water Supply Asset Management Plan (AMP) reviewed in January 2014 was sighted. The reviewer was satisfied that the Shire's AMP covers the key requirements and is considered appropriate for the relatively small non-potable water services provided at Peaceful Bay.			
1.2	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	The Asset Management Plan states the needs of the various stakeholders and is part of the Shire's overall business planning framework.			
1.3	Service levels are defined.	The levels of service and performance parameters have been defined in the AMP. Performance is measured in performance reports to the Authority.			
1.4	Non-asset options (e.g. demand management) are considered.	The assets are considered appropriate for the current levels of demand. Under the current development conditions, the demand for water is unlikely to change (i.e. the number of leasehold properties will not increase). The factors affecting demand include high seasonal variations in population and watering of gardens in the summer months. Rather than increase the capacity of the system to meet peak daily demand during Christmas and Easter holiday periods, the Shire implements restrictions in the use of sprinklers to reduce the peak flows.			
1.5	Lifecycle costs of owning and operating assets are assessed.	The Asset Management Plan includes the lifecycle costs of owning the assets. The replacement value of the assets in 2013 was \$310,000 with annual operating costs of \$24,412 in 2013/14 rising to \$27,674 in 2014/15.			
1.6	Funding options are evaluated.	The Shire maintains a reserve fund for the replacement of capital facilities at Peaceful Bay. The reserve commenced in 2013/14 with \$16,250 per annum transferred in. The leasehold properties that receive water from the licensed infrastructure are charged an annual lease fee. The fees are considered sufficient to cover the operating costs and an annual contribution to the replacement reserve of \$16,250.			

⁶ Process ratings: A=adequately defined, B=requires some improvement, C=requires significant improvement, D=inadequate.

⁷ Performance ratings: 1=performing effectively, 2=opportunity for improvement, 3=corrective action required, 4=serious action required

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
1.7	Costs are justified and cost drivers identified.	The estimated replacement costs of assets are included in the AMP. Demand is stable. The cost drivers are the condition of the assets and the maintenance regime which will impact the life of the assets. Operating and maintenance cost are detailed in the AMP until 2017/18.			
1.8	Likelihood and consequences of asset failure are predicted.	The analysis assumes that assets will be replaced at the end of their standard economic life. The AMP includes a detailed risk assessment with the likelihood and consequences of each risk, including the asset failure.			
1.9	Plans are regularly reviewed and updated.	The AMP contains a timing schedule of compliance processes. The review of all elements of the AMP and the AMIS are listed to be undertaken annually in May and June respectively. The inside first page of the AMP has a document history which provides for sign-off against each review, together with the Reviewer's name, review date and nature of any revision undertaken. The responsibility for annual review of the AMP was allocated to the DCRS. However, the audit noted that the AMP was last revised in January 2014. <i>Refer Section 12.</i>			
2	ASSET CREATION/ ACQUISITION	Process Rating	A	Performance Rating	1
2.1	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	The Shire's purchase of assets is undertaken in accordance with Local Government Guidelines, in addition to the Shire's own purchasing policy document: " PO 40220"; Assets such as pumps are being replaced or refurbished at regular intervals and retained as spares or replacement units. The Asset Register contains a spare parts list. No other new assets are planned for the scheme, only ongoing repairs and maintenance, and replacements of existing infrastructure as required.			
2.2	Evaluations include all life-cycle costs.	No new assets have been acquired in the review period apart from a replacement pump.			
2.3	Projects reflect sound engineering and business decisions.	No new assets have been acquired in the review period apart from a replacement pump.			
2.4	Commissioning tests are documented and completed.	No new assets have been acquired in the review period apart from a replacement pump. Given the small capital cost (approximately \$5,000) and the utilisation of the Council Purchasing Policy, the process is considered sound.			
2.5	Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	The AMP outlines the overall Shire's legal/environmental/safety obligations. The Shire's Compliance Schedule (Schedule), as included in the Asset Management Plan, with two exceptions, comprehensively lists reportable compliance obligations included in the Operating Licence. However, the Schedule: <ul style="list-style-type: none"> • Refers to the Water Services Licensing Act 1995 and not the Water Services Act 2012 (WA); and • Do not contain Operating Licence references for the compliance obligations it contains. <i>Refer Section 4.3</i>			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating	A	Performance Rating	1
3	ASSET DISPOSAL	Process Rating	A	Performance Rating	1
3.1	Under-utilised and under-performing assets are identified as part of a regular systematic review process.	This is a small system and all assets are performing as intended. No disposals are planned other than pump station pumps being replaced as required. Any under-performing assets would be identified in the planned maintenance checks each year.			
3.2	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	The asset condition is reviewed in the planned maintenance checks (monthly and pre-season) and reasons for any under-performance are investigated.			
3.3	Disposal alternatives are evaluated.	According to the AMP, assets at the end of their life will be replaced with a similar capacity and the old asset dumped or recycled for scrap as appropriate. Most assets of the system i.e. buried pipelines and accessories have no commercial value and would normally be abandoned in situ. Assets which can be refurbished such as pumps are retained as spares until such time as replacement is more economical than refurbishment.			
3.4	There is a replacement strategy for assets.	The Asset Management Plan records details of the main assets and their replacement costs and expected lives.			
4	ENVIRONMENTAL ANALYSIS	Process Rating	B	Performance Rating	2
4.1	Opportunities and threats in the system environment are assessed.	Opportunities and threats for the system are considered in the AMP and in the risk assessment register.			
4.2	Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved.	The Annual Performance Reports for 2013/14 and 2014/15 were sighted. Performance standards have been met with no breaks and disruptions reported.			
4.3	Compliance with statutory and regulatory requirements.	The AMP outlines the overall Shire's legal/environmental/safety obligations. The Shire's Compliance Schedule (Schedule), as included in the Asset Management Plan, with two exceptions, comprehensively lists reportable compliance obligations included in the Operating Licence. However, the Schedule: <ul style="list-style-type: none"> Refers to the Water Services Licensing Act 1995 and not the Water Services Act 2012 (WA); and Do not contain Operating Licence references for the compliance obligations it contains. 			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)	
		<p><i>Refer recommendation 01/2015</i></p> <p><u>Transfer Pump Room</u></p> <p>Although not directly associated with the non-potable water supply, within the Transfer Pump Room there is a small plastic storage drum containing Sodium Hypochlorite. This chemical is used to chlorinate the water drawn from the Storage Lagoon for the supply potable of water to the adjacent Caravan Park.</p> <p>The chemical is stored just above ground level without bunding or isolation. In its current form, this dangerous good presents a potential hazard to the system and personnel accessing the Transfer Pump Room if a spill was to occur.</p> <p>Given direct personnel access to this area, there is no form of emergency wash-down or first aid treatment provided. This potential hazard should be considered.</p> <p>Electrical cables supplying power to the Pump Switchboard and Pumps are contained in PVC conduits fixed to the floor slab level. Should a reasonable sized chemical spill occur, there is risk of damage to these cables and / or fire, and can create a trip hazard.</p> <p><i>Recommendation 06/2015</i></p> <p><i>The Shire should check on the requirements for Storage and Handling of Dangerous Goods in respect of the chemical storage in the Transfer Pump Room. Compliance with the relevant Acts, Codes and Regulations should be provided. If the chemical storage is assessed as being able to remain within the Transfer Pump Room, a suitable Deluge Shower system to comply with the relevant Australian Standards is recommended for the safety of Shire employees and contractors accessing the area. The trip hazard with the power conduits fixed to the floor should also be mitigated.</i></p>	
4.4	Achievement of customer service levels.	Compliance reports for 2013/14 and 2014/15 shows that customer service levels have been achieved. There were 2 customer complaints received during the 2013/14 reporting period.	
5	ASSET OPERATIONS	Process Rating	A
5.1	Operational policies and procedures are documented and linked to service levels required.	The Asset Management Plan includes an overview of the operations of the system. As the scheme is a very simple scheme with minimal operating procedures required, these policies and procedures are considered adequate for a small mainly automatic non potable water service. The manufacturers' operating instructions/manuals are kept and used by Works staff. The procedures include the components of the overall system including water pipes, water storage and pump stations.	Performance Rating 1

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<p>Document control and recording can be improved. Hardcopies of physical records of plant inspection and performance are kept but there is no electronic tabulation or ability to interrogate data. An example is the flow meter recordings which are taken, but cannot not be linked to operational performance nor any system issues.</p> <p><i>Refer Section 7.7.</i></p>
5.2	Risk management is applied to prioritise operations tasks.	<p>The Asset Management Plan includes a risk assessment policy and this has been applied in developing a risk assessment register and the Annual Planned Maintenance program.</p> <p>The risk assessment register and the Annual Planned Maintenance program consider and include various components of the overall system.</p>
5.3	Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and accounting data.	<p>Physical parameters for the assets are recorded in the "As constructed" drawings (PDF copies are also kept). The AMP provides a summary description of each installation within the scheme. A detailed listing of assets is documented in the Asset Register for the scheme.</p> <p>Asset Register includes construction dates and replacement values for all assets. All assets are discretely numbered with an alpha-numeric asset number. All asset groups include the relevant construction material, asset type and descriptions.</p> <p>Condition Data and Performance information is recorded in the AMP. The condition of the water supply scheme was originally based on a site inspection of assets by SKM in 2005. The condition assessments are updated through the planned inspection regime.</p> <p>The Asset Register documents all main asset groups including water pipes, water storage and pump stations.</p>
5.4	Operational costs are measured and monitored.	All asset expenditure is captured in the Shire's Financial Management Information System (FMIS) using Synergy software. The historical cost information for the assets has not been transferred to the Asset Register but is in the FMIS.
5.5	Staff resources are adequate and staff receive training commensurate with their responsibilities.	<p>Overall management of scheme is the responsibility of the Shire's Director of Community & Regulatory Services (DCRS).</p> <p>Day to day operation and maintenance of the water services - including flow recording and reporting operation and maintenance activities, is undertaken by the Water Supply Officer, who reports to the DCRS. The Water Supply Officer also assists the Senior Environmental Health Officer (EHO) with the monthly water sampling. The written duties of the Water Supply Officer include specific inspections of the system elements, maintenance of fire breaks and fencing, recording pump flows and weekly or monthly reports (depending on the season) to the DCRS.</p> <p>The Shire's EHO has a Graduate Diploma in Environmental Health.</p>

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<p>Plumbing, and electrical services are provided as required by experienced local tradespersons. Written duties of the tradespersons include periodic maintenance checking and testing of specific asset items and reactive maintenance/ repair or replacement of assets as required.</p> <p>The Peaceful Bay water scheme is a simple system which requires a basic level of asset management to maintain it in an effective condition. The staff resources are adequate and the assets sighted in the review were in good condition. The staff are all experienced staff with the Shire and have received adequate training on-the-job training.</p>			
6	ASSET MAINTENANCE	Process Rating	A	Performance Rating	2
6.1	Maintenance policies and procedures are documented and linked to service levels required.	<p>The Peaceful Bay non potable water supply scheme is a simple system, which requires a very basic level of asset management to maintain it in effective condition. The systems is in good condition. The assets seem appropriate for the current levels of demand.</p> <p>The Asset Management Plan includes a section on Maintenance Planning that provides an overview of the maintenance activities. There is a detailed Annual Maintenance Schedule in the AMP. The Annual Maintenance Schedule considers and includes various components of the overall system including water pipes, water storage and pump stations.</p> <p>Long term staff of the Shire have an excellent knowledge of the requirements and carry out maintenance in a very effective manner.</p> <p>The written duties of the Water Supply Officer include specific inspections of the system elements, maintenance of fire breaks and fencing, recording pump flows and weekly or monthly reports (depending on the season) to the DCRS.</p> <p>Written duties of the trade firms include periodic maintenance checking and testing of specific asset items and reactive maintenance/ repair or replacement of assets as required.</p>			
6.2	Regular inspections are undertaken of asset performance and condition.	<p>Condition Data and Performance information is recorded in the AMP. The condition of the water supply scheme was originally based on a site inspection of assets by SKM in 2005. The condition assessments are updated through the planned inspection regime senior staff and others, who have the skill and knowledge to do so.</p> <p>The review of the Peaceful Bay non-potable water supply scheme confirmed the assets are in generally good condition. However, the following items were identified during the site inspection as requiring attention:</p> <ul style="list-style-type: none"> a) Storage lagoon - A gap of approximately 500mm wide was noted between the existing double gate and adjacent perimeter security fencing at the Storage Lagoon. Evidence of recent access by children into the fore bay of the Lagoon was also noted. Given the reasonable remoteness of the Storage Lagoon from the settlement, and that the batters of the earth bank into the water body are steep, the fence needs to be properly secured. 			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<p>b) Access track to bore - Given the remote nature of the Bore Pump to the settlement, ongoing maintenance of the track is paramount to the system operation. It is understood that a portion of the access track is maintained by the Shire of Denmark with the balance by other State Government Departments.</p> <p><u>Recommendation 07/2015</u></p> <p>a) <i>The Shire should ensure that public access to the Storage lagoon area is fully prevented by closing the gap between the fencing and gate.</i></p> <p>b) <i>The Shire should establish a written agreement with the government agency maintaining the access track to the bore and refer to this in the Asset Management Plan, to ensure the access track does not fall into disrepair.</i></p>
6.3	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	<p>A comprehensive Routine Maintenance Plan has been included in the AMP. The maintenance schedule specifies maintenance tasks to be carried out and the intervals at which they need to be done. It provides a checklist of maintenance tasks but is reliant on the knowledge and ability of the person performing the maintenance to carry them out satisfactorily.</p> <p>The unforeseen maintenance tasking is instigated by a telephone call-out system to the Shire Work's DCRS, who attends the site, assesses the requirements and arrange the immediate and follow-up actions and activities.</p> <p>The detailed Planned Work Program includes the planned and actual maintenance activities for each asset. Confirmed planned maintenance activities completed for the review period.</p> <p>The Routine Maintenance Plan as well as Planned Work Program considers and includes various components of the overall system including the bore, water pipes, water storage, pump stations and water quality.</p>
6.4	Failures are analysed and operational/maintenance plans adjusted where necessary.	Any failures are rare but would be analysed and considered as part of the Shire's annual budget preparation.
6.5	Risk management is applied to prioritise maintenance tasks.	<p>The Asset Management Plan includes a risk assessment policy and this has been applied in developing a risk assessment register and the Annual Planned Maintenance program.</p> <p>The risk assessment register and the Annual Planned Maintenance program consider and include various components of the overall system.</p>
6.6	Maintenance costs are measured and monitored.	Maintenance costs are tracked through the FMIS and actual/budget reporting each month.

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
7	ASSET MANAGEMENT INFORMATION SYSTEM	Process Rating	B	Performance Rating	2
7.1	Adequate system documentation for users and IT operators.	The asset management information system is a simple system based on the Excel spreadsheets. The system is documented in the Asset Management Plan which refers to each spreadsheet included in the Appendices.			
7.2	Input controls include appropriate verification and validation of data entered into the system.	Excel spreadsheets are populated and data is checked when input.			
7.3	Logical security access controls appear adequate, such as passwords.	The AMP and the accompanying Excel spreadsheets have been saved on the Shire's server. There is a password access to the Shire's system and PCs which restricts access to authorised Shire officers.			
7.4	Physical security access controls appear adequate.	The Shire offices are locked and alarmed outside of hours.			
7.5	Data backup procedures appear adequate and backups are tested.	The system is regularly backed up as part of the standard IT maintenance procedures on a nightly basis and disks are taken offsite for safekeeping. The backups are regularly tested by recovery of files.			
7.6	Key computations related to licensee performance reporting are materially accurate.	<p>Some Excel spreadsheets contain formulas such as, for example:</p> <ul style="list-style-type: none"> - In the Risk Assessment spreadsheet, inherent risk is automatically assigned from the likelihood and overall consequence scores; - In the Annual Capital Investment Budget spreadsheet and in the Annual Operations & Maintenance Budget spreadsheet, some cells are automatically calculated. <p>The review confirmed that the key computations in the Excel spreadsheets are accurate.</p>			
7.7	Management reports appear adequate for the licensee to monitor licence obligations.	<p>For management reports, the Excel spreadsheets can be printed. Graphical charts have also been produced to show the water sampling results over time and location for review. As noted in the previous review, the general recordkeeping and review of results needs to be improved due to:</p> <ul style="list-style-type: none"> • The Shire has retained its combination of hard copy and electronic records of reports, flow, operations and maintenance records, correspondence etc. - rather than install a commercially available Asset Management Information System (AMIS); • Reviewer considers the Shire's approach is appropriate, given the nature of the assets under management. However, the AMIS is fragmented and requires further use of electronic records and consolidation of data currently held on differing hard copy or electronic files; and 			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<p>While correspondence and financial/ budgeting/expenditure data should be retained on the Shire's Local Government "Synergy" system, data and information related to the water services should be contained in a different main and sub-folders.</p> <p>This review also noted that there is no formal evidence of review of the inspections, meter readings, water quality testing etc. as part of the overall monitoring of the performance of the scheme.</p> <p><u>Recommendation 08/2015</u></p> <p>a) <i>The Shire should create an overall electronic folder and appropriate sub-folders to accommodate the relevant records and data associated with the Water Services (in order to maintain orderly management of the assets and to easily extract relevant information). These would include, but not necessarily be limited to:</i></p> <ul style="list-style-type: none"> • <i>Verification of operational and maintenance tasks undertaken, dates;</i> • <i>Records of reports/notes accompanying the above reports and action taken if appropriate;</i> • <i>Pump flow meter records, dates and running total of total flows – for each pump and overall;</i> • <i>Records of pump run hours, well drawdown levels;</i> • <i>Record of complaints, call outs, asset fault alarms, nature of the problem and action taken;</i> • <i>Record of water sampling and results of bacteriological and chemical tests and relevant EHO comments/ actions if appropriate. (Note that these data are already recorded electronically and entered by a member of the Shire's admin staff.);</i> • <i>Age, condition and remaining expected life of assets in service or retained as spares;</i> • <i>An updated version of the current asset register, including, current replacement cost (as a check on the estimate included in the AMP), condition, installation year, life expectancy and anticipated replacement date;</i> • <i>Copies of ERA and other authority reports/correspondence.</i> <p>b) <i>The Shire should consider producing say a quarterly report to the DCRS to provide an overall summary of maintenance and inspections undertaken, statistical reports on pump flow, water quality testing, etc., any complaints and any further action recommended.</i></p>

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating	A	Performance Rating	1
8	RISK MANAGEMENT	Process Rating	A	Performance Rating	1
8.1	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	The Asset Management Plan includes a risk assessment policy and procedure. This has been applied to develop a detailed Risk Assessment for events and assets. Most risks are rated Moderate with a few rated High. The risk assessment register, as included in the AMP, considers and includes various internal and external risks that have been identified by the Shire. The risk assessment register is considered adequate.			
8.2	Risks are documented in a risk register and treatment plans are actioned and monitored.	The assessment and strategies designed to mitigate the risks have been documented in a risk assessment register, as included in the AMP. The risk to human life through use of the non-potable water supply for firefighting, toilet flushing and irrigation of lawn surfaces is low. The non-potable water supply outlets are well signed throughout the Peaceful Bay settlement.			
8.3	The probability and consequences of asset failure are regularly assessed.	The AMP includes a risk assessment policy and procedure. This has been applied to develop a detailed Risk Assessment for events and assets, including the probability and consequences of asset failure.			
9	CONTINGENCY PLANNING	Process Rating	B	Performance Rating	2
9.1	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	The Asset Management Plan includes mitigation and contingency plans. These include non-potable water utilised for potable use, power failure, pump failure, pipe failure, peak demand exceeds capacity of bore and soak, reticulation failure or leakage, increase in suspended solids in water, contamination of water, water storage failure, fire, bore access restricted by flooding and iron bacteria in bore. The Contingency Plan lists the Shire's DCRS, EHO and Peaceful Bay Progress Association as emergency contacts. The list of emergency contacts has not been extended as yet, as recommended in the previous review. Staff involved in the operation of the scheme have been advised of the contingency plans when the AMP was revised in November 2013. Confirmed with the Shire's DCRS that key staff have an understanding of the procedures, such as the calling of a plumber in the case of a pipe blockage, or an electrician in the case of a pump failure. This is considered adequate for the relatively small non-potable water services provided at Peaceful Bay. However, there are no formal plans for testing/training in the contingency plan on a regular basis. <u>Recommendation 09/2015</u> a) <i>The Shire should expand the list of emergency contacts in the Contingency Plan to include the Power Authority, Fire Service, Police, Ambulance, Pump Supplier, Plumber and Electrician.</i>			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<i>b) The Shire should include in the AMP a procedure to provide training/testing of the Plan on an annual basis, such as a desktop scenario exercise involving the main participants, as part of the annual review of the Asset Management Plan in May each year.</i>			
10	FIN/ANCIAL PLANNING	Process Rating	A	Performance Rating	1
10.1	The financial plan states the financial objectives and strategies and actions to achieve the objectives.	The AMP has a broad financial plan that sets out the strategy and objectives.			
10.2	The financial plan identifies the source of funds for capital expenditure and recurrent costs.	<p>The Shire maintains a reserve fund for the replacement of capital facilities at Peaceful Bay. The reserve commenced in 2013/14 with \$16,250 per annum transferred in.</p> <p>The leasehold properties that receive water from the licensed infrastructure are charged an annual lease fee. The fees are considered sufficient to cover the operating costs and an annual contribution to the replacement reserve of \$16,250. The AMP provides for capital expenditure and operating/maintenance costs to 2017/18.</p> <p>There is no significant capital expenditure planned until 2019/2020 when \$160,000 has been allocated for reticulation and mains refurbishment.</p>			
10.3	The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	The Asset Management Plan include the lifecycle costs of owning the assets. The replacement value in 2013 was \$310,000 with annual operating costs of \$27,674 in 2014/15. The Shire's lifecycle costing shows the replacement of assets at the end of their economic life would require an annuity provision of \$16,250. These funds have been set aside since 2013/14 and would be sufficient to replace the assets on the current projection of their replacement costs and expected lives.			
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	The financial plan is based on income generated from fees to leased properties that are covered by lease agreements.			
10.5	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	The leasehold properties that receive water from the licensed infrastructure are charged an annual lease fee. The fees are considered sufficient to cover the operating costs and an annual contribution to the replacement reserve of \$16,250. The AMP provides for capital expenditure and operating/maintenance costs to 2017/18.			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
10.6	Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.	Variations in actual and budget income and expenses are identified in monthly reports and action is taken on any significant variances. The monthly reports are reviewed and actioned by the Executive and are also provided to Council.			
11	CAPITAL EXPENDITURE PLANNING	Process Rating	A	Performance Rating	1
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	The Asset Management Plan include the lifecycle costs of owning the assets. The capital expenditure plan shows the replacement value in 2013 was \$310,000 and the replacement of assets at the end of their economic life would require an annuity provision of \$16,250. These funds have been set aside since 2013/14 and would be sufficient to replace the assets on the current projection of their replacement costs and expected lives.			
11.2	The plan provides reasons for capital expenditure and timing of expenditure.	The analysis assumes that assets will be replaced at the end of their standard economic life. There is no major capital expenditure planned in the next 5 years.			
11.3	The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.	The capital expenditure plan is consistent with the asset life and condition recorded in the detailed Asset Register and the Asset Condition and Performance Section of the AMP.			
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	The AMP contains a timing schedule of compliance processes. The review of all elements of the AMP and the AMIS are listed to be undertaken annually in May and June respectively. The inside first page of the AMP has a document history which provides for sign-off against each review, together with the Reviewer's name, review date and nature of any revision undertaken. The responsibility for annual review of the AMP was allocated to the DCRS. However, the audit noted that the AMP was last revised in January 2014. <i>Refer section 12.</i>			
12	REVIEW OF ASSET MANAGEMENT SYSTEM	Process Rating	A	Performance Rating	1
12.1	A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.	The Asset Management Plan has been last revised in January 2014. The AMP contains a timing schedule of compliance processes. The review of all elements of the AMP and the AMIS are listed to be undertaken annually in May and June respectively. The inside first page of the AMP has a document history which provides for sign-off against each review, together with the Reviewer's name, review date and nature of any revision undertaken. The responsibility for annual review of the AMP was allocated to the DCRS. However, the audit noted that the AMP was last revised in January 2014.			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<p>The Compliance Schedule includes the requirement to notify the Authority of any significant changes to the asset management system.</p> <p>The Plan has document control (version details).</p> <p><i>Recommendation 10/2015</i></p> <p><i>The Shire should undertake reviews of the Asset Management Plan at the intervals stated in the Compliance Schedule of the Plan.</i></p>
12.2	Independent reviews (e.g. internal audit) are performed of the asset management system.	An independent review is performed every 2 years as required by the licence or as amended by the Authority.

3.6 Current Review Asset System Deficiencies and Recommendations

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

B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
06/2015 B2	<p>Environmental Analysis - Transfer Pump Room <i>Compliance with statutory and regulatory requirements.</i></p> <p>Although not directly associated with the non-potable water supply, within the Transfer Pump Room there is a small plastic storage drum containing Sodium Hypochlorite. This chemical is used to chlorinate the water drawn from the Storage Lagoon for the supply potable of water to the adjacent Caravan Park.</p> <p>The chemical is stored just above ground level without bunding or isolation. In its current form, this dangerous good presents a potential hazard to the system and personnel accessing the Transfer Pump Room if a spill was to occur.</p> <p>Given direct personnel access to this area, there is no form of emergency wash-down or first aid treatment provided. This potential hazard should be considered.</p> <p>Electrical cables supplying power to the Pump Switchboard and Pumps are contained in PVC conduits fixed to the floor</p>	<p>The Shire should check on the requirements for Storage and Handling of Dangerous Goods in respect of the chemical storage in the Transfer Pump Room. Compliance with the relevant Acts, Codes and Regulations should be provided. If the chemical storage is assessed as being able to remain within the Transfer Pump Room, a suitable Deluge Shower system to comply with the relevant Australian Standards is recommended for the safety of Shire employees and contractors accessing the area. The trip hazard with the power</p>	None

B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
	slab level. Should a reasonable sized chemical spill occur, there is risk of damage to these cables and / or fire, and can create a trip hazard.	conduits fixed to the floor should also be mitigated.	
07/2015 A2	<p>Asset Maintenance – Maintenance Items</p> <p><i>Regular inspections are undertaken of asset performance and condition.</i></p> <p>The review of the Peaceful Bay non-potable water supply scheme confirmed the assets are in generally good condition. However, the following items were identified during the site inspection as requiring attention:</p> <ul style="list-style-type: none"> Storage lagoon - A gap of approximately 500mm wide was noted between the existing double gate and adjacent perimeter security fencing at the Storage Lagoon. Evidence of recent access by children into the fore bay of the Lagoon was also noted. Given the reasonable remoteness of the Storage Lagoon from the settlement, and that the batters of the earth bank into the water body are steep, the fence needs to be properly secured. Access track to bore - Given the remote nature of the Bore Pump to the settlement, ongoing maintenance of the track is paramount to the system operation. It is understood that a portion of the access track is maintained by the Shire of Denmark with the balance by other State Government Departments. 	<p>a) The Shire should ensure that public access to the Storage lagoon area is fully prevented by closing the gap between the fencing and gate.</p> <p>b) The Shire should establish a written agreement with the government agency maintaining the access track to the bore and refer to this in the Asset Management Plan, to ensure the access track does not fall into disrepair.</p>	<p>a) The Shire has advised that the gap in the fence has been fixed. – December 2015.</p> <p>b) None</p>

B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
08/2015 B2	<p>Contingency Planning – Emergency Contacts and Testing <i>Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.</i></p> <p>The Asset Management Plan includes mitigation and contingency plans. These include non-potable water utilised for potable use, power failure, pump failure, pipe failure, peak demand exceeds capacity of bore and soak, reticulation failure or leakage, increase in suspended solids in water, contamination of water, water storage failure, fire, bore access restricted by flooding and iron bacteria in bore.</p> <p>The Contingency Plan lists the Shire's DCRS, EHO and Peaceful Bay Progress Association as emergency contacts. The list of emergency contacts has not been extended as yet, as recommended in the previous review.</p> <p>Staff involved in the operation of the scheme have been advised of the contingency plans when the AMP was revised in November 2013. Confirmed with the Shire's DCRS that key staff have an understanding of the procedures, such as the calling of a plumber in the case of a pipe blockage, or an electrician in the case of a pump failure. This is considered adequate for the relatively small non-potable water services provided at Peaceful Bay.</p> <p>However, there are no formal plans for testing/training in the contingency plan on a regular basis.</p>	<p>a) The Shire should expand the list of emergency contacts in the Contingency Plan to include the Power Authority, Fire Service, Police, Ambulance, Pump Supplier, Plumber and Electrician.</p> <p>b) The Shire should include in the AMP a procedure to provide training/testing of the Plan on an annual basis, such as a desktop scenario exercise involving the main participants, as part of the annual review of the Asset Management Plan in May each year.</p>	None

B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
09/2015 B2	<p>Asset Management Information System – Recordkeeping and Management Reporting</p> <p><i>Adequate system documentation for users and system operators.</i></p> <p>As noted in the previous review:</p> <ul style="list-style-type: none"> • The Shire has retained its combination of hard copy and electronic records of reports, flow, operations and maintenance records, correspondence etc. - rather than install a commercially available Asset Management Information System (AMIS); • Reviewer considers the Shire's approach is appropriate, given the nature of the assets under management. However, the AMIS is fragmented and requires further use of electronic records and consolidation of data currently held on differing hard copy or electronic files; and • While correspondence and financial/ budgeting/expenditure data should be retained on the Shire's Local Government "Synergy" system, data and information related to the water services should be contained in a different main and sub-folders. <p>This review also noted that there is no formal evidence of review of the inspections, meter readings, water quality testing etc. as part of the overall monitoring of the performance of the scheme.</p>	<p>a) The Shire should create an overall electronic folder and appropriate sub-folders to accommodate the relevant records and data associated with the non-potable water services (in order to maintain orderly management of the assets and to easily extract relevant information). These would include, but not necessarily be limited to:</p> <ul style="list-style-type: none"> • Verification of operational and maintenance tasks undertaken, dates; • Records of reports/notes accompanying the above reports and action taken if appropriate; • Pump flow meter records, dates and running total of total flows – for each pump and overall; • Records of pump run hours, well drawdown levels; • Record of complaints, call outs, asset fault alarms, nature of the problem and action taken; 	None

B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
		<ul style="list-style-type: none"> • Record of water sampling and results of bacteriological and chemical tests and relevant EHO comments/ actions if appropriate. (Note that these data are already recorded electronically and entered by a member of the Shire's admin staff.); • Age, condition and remaining expected life of assets in service or retained as spares; • An updated version of the current asset register, including, current replacement cost (as a check on the estimate included in the AMP), condition, installation year, life expectancy and anticipated replacement date; • Copies of ERA and other authority reports/correspondence. <p>b) The Shire should consider producing say a quarterly report to the DCRS to provide an overall summary of maintenance and inspections undertaken, statistical reports on pump flow, water quality testing, etc., any complaints and any further action recommended.</p>	

B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
10/2015 A2	<p>Review of Asset Management System</p> <p><i>A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.</i></p> <p>The Asset Management Plan has been last revised in January 2014.</p> <p>The AMP contains a timing schedule of compliance processes. The review of all elements of the AMP and the AMIS are listed to be undertaken annually in May and June respectively. The inside first page of the AMP has a document history which provides for sign-off against each review, together with the Reviewer's name, review date and nature of any revision undertaken. The responsibility for annual review of the AMP was allocated to the DCRS. However, the audit noted that the AMP was last revised in January 2014.</p>	<p>The Shire should undertake reviews of the Asset Management Plan at the intervals stated in the Compliance Schedule of the Plan.</p>	None

3.7 Conclusion

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

The assets are as described above with no major changes since the previous review apart from replacement/refurbishment of pumps. The scheme is a limited effluent system.

Through the execution of the Review Plan and assessment and testing of the control environment, the information system, control procedures and compliance attitude, the audit team members have gained reasonable assurance that the Shire of Denmark:

- c) Has implemented or resolved 9 out of 11 previous review recommendations. The outstanding recommendations are to improve recordkeeping and to expand the list of emergency contacts in the contingency plan.
- d) Has established an adequate control environment for ongoing compliance in respect of the asset management system apart from:
 - updating and expanding the legislative and licence references in the Asset Management Plan;
 - checking the requirements for Storage and Handling of Dangerous Goods in respect of the chemical storage in the Transfer Pump Room;
 - ensuring that public access to the storage lagoon is fully secured and access to the bore via a track is maintained;
 - improving the recordkeeping for the scheme and considering a regular management report on the performance of the scheme;
 - providing for regular testing/training in the contingency plan; and
 - reviewing the Asset Management Plan on an annual basis as per the compliance schedule in the Plan.

The review recommended that the Shire should:

- f) check on the requirements for Storage and Handling of Dangerous Goods in respect of the chemical storage in the Transfer Pump Room;
- g) ensure that public access to the Storage lagoon area is fully prevented by closing the gap between the fencing and gate. Also, establish a written agreement with the government agency maintaining the access track to the bore and refer to this in the Asset Management Plan;
- h) expand the list of emergency contacts in the contingency plan and include in the Asset Management Plan a procedure to provide training/testing of the Plan on an annual basis;
- i) create an overall electronic folder and appropriate sub-folders to accommodate the relevant records and data associated with the non-potable water services;
- j) The Shire should undertake reviews of the Asset Management Plan at the intervals stated in the Compliance Schedule of the Plan.

In general, the Peaceful Bay non-potable water scheme has been well planned, constructed and maintained. The scheme was found to be operating reliably, providing supply to the end user without significant interruption or complaint. It has inbuilt redundancies to cope with peak demands with the use of a storage lagoon.

The supporting system is being well-maintained with several improvements recommended in this review.

Appendix A - Methodology

A1. Audit and Review Approach

Our approach to meeting the requirements for the operational audit and asset management system effectiveness review is set out below.

Planning

- Review the status of the post-implementation action plans from the previous audit and the previous review.
- Contact the Shire to gain an understanding of the business, relevant management plans, systems, and any changes since the previous review that may affect the risk assessment for planning purposes.
- Update the risk assessment in the previous report for any specific factors or changes relevant to the licensee (in tabular form against each licence condition and asset management system component).
- Submit a draft Audit and Review Plan, including the risk assessment and proposed approach, to the Authority for review and approval.
- Send a Pre-Visit Checklist of information and documentation required to the Shire to enable staff to prepare for the visit (and where possible, send us information prior to the site visit).

Fieldwork

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

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

Reporting

- Prior to the conclusion of the site visits, the lead auditor will discuss any observations and recommendations with the licensee's management to confirm our understanding of the issues and to discuss the action to be taken.
- Provide a draft report to the Authority for review no later than two weeks before the final report is due and make any revisions necessary.
- Provide the updated draft report to the Authority for review and feedback prior to finalising the report.
- Issue the final report to the Authority.
- The Authority will contact the Shire for the Post Audit Implementation Plan after the report is finalised.

A2. Key Documents and Information Sources

Regulatory Documents and Reports

- Audit and Review Guidelines: Water Licences – July 2014
- Water Compliance Reporting Manual – April 2014
- Customer Complaints Guidelines – October 2008
- Shire of Denmark - Water Operating Licence WL 39, versions 5, 18 November 2013.
- Peaceful Bay Operating Area (Non-potable water supply services) Plan No. OWR-OA-294(C).
- Audit Report - Shire of Denmark Water Licence - Operational Audit and Asset Management System Review – April 2014
- Post Audit and Review Action Plans – current status reports
- Compliance reports to the Authority – 2013/14 and 2014/15
- Performance reports to the Authority – 2013/14 and 2014/15
- Water Services Act 2012
- Water Services Regulations 2013
- Water Services Code of Conduct (Customer Service Standards) 2013
- Relevant Correspondence with regulators

Scheme Information and Procedures

- Customer Service Charter for Water Supply Services (optional after 17 November 2013)
- Shire of Denmark P040214 - Complaints Management Policy
- Sewerage and Wastewater Re-use System Complaint Log
- Shire's Compliance Schedule

Asset Management System

- Peaceful Bay Non Potable Water Supply Asset Management Plan 2013 (Rev 5 dated 27 January 2014)
- Shire of Denmark P040220 - Purchasing Policy
- Shire of Denmark Asset Register (Peaceful Bay)
- Shire of Denmark Planned Work Program – Waste Water Services
- Peaceful Bay Supply Maintenance Activity Plan 2015

- Inspection Officer Specification - Peaceful Bay Non Potable Water Supply
- Plumbing Services Specification – Peaceful Bay Non Potable Water Supply
- Peaceful Water Supply Maintenance Activity Plan 2015
- Financial Summary – Waste Water AMP – Denmark
- Shire of Denmark Asset Register – Life Cycle Cost Model (Peaceful Bay)
- Various maintenance and pre-season checklists.

Shire Planning and Financial Information

- 2013/14 Annual Report
- Shire of Denmark 2015/2016 Budget
- Expenditure reports – Peaceful Bay – 2013/14, 2014/15 and 2015/16 to date.

A3. Licensee’s Representatives

The Shire’s primary contacts were:

- Gregg Harwood – Director of Community and Regulatory Services
- Kim Dolzadelli, Director of Finance & Administration.
- Robert Ohle, Principal Environmental Health Officer;
- Ollie Wakka – Water Supply Officer
- Ian Neil – Consultant (Ian Neil and Associates).
- Mark Philips, Contract Plumber
- Gary, Contract Electrician.

A4. Audit and Review Team and Hours

NAME AND POSITION	HOURS
Geoff White – Director	10
Andrea Stefkova – Assistant Manager	30
David Wills – Principal Consulting Engineer	5
Cleve Flottman – Senior Consulting Engineer	15
TOTAL	60

END OF REPORT