



Aqua Ferre (Muchea) Pty Ltd

2022 Operational Audit and Asset Management System Review
Water Services Licence WL51

Report

Economic Regulation Authority
June 2022

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Limitations of this Report

This report was prepared for distribution to the Economic Regulation Authority and Aqua Ferre (Mucnea) Pty Ltd for the purpose of fulfilling Aqua Ferre's operational audit and asset management system review obligations under its Water Services 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 Aqua Ferre (Mucnea) 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 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. Independent Auditor's Report

Scope

Aqua Ferre (Muceha) Pty Ltd ('Muceha Water') has a Water Services Licence, issued by the Economic Regulation Authority ('ERA') under the *Water Services Act 2012* ('Act'), for the provision of potable water supply in estates in Muceha, Western Australia. Muceha Water is required to comply with the terms and conditions of their license. There were three versions of the Water License WL51 in operation over the audit period:

- Version 1 (From 25 February 2020 to 30 April 2020);
- Version 2 (From 1 May 2020 to 27 October 2020) with changes from the ERA's 2019 Water Licence Review; and
- Version 3 (From 28 October 2020 and onwards) – operating area expanded.

We have performed a reasonable assurance engagement on Muceha Water's compliance, in all material respects, with the conditions of WL51 and the *Water Services Act 2012* for the period from commencement of the licence on 25 February 2020 to 28 February 2022.

Our evaluation was made against the licence obligations listed in the Water Compliance Reporting Manual 2021 and previous versions May 2018 and May 2020; and in accordance with the ERA's 2019 Audit and Review Guidelines: Water Licences.

The scope of this assurance work relates to assessing Muceha Water's systems and effectiveness of processes and regulatory controls to ensure compliance with the obligations, standards, outputs and outcomes required by the Licence issued under the Act.

Opinion

In our opinion, based on the procedures performed as outlined in the Audit Plan approved by the Economic Regulation Authority and the evidence we have obtained, Muceha Water has complied, in all material respects, with its licence conditions and relevant legislative obligations for the period 25 February 2020 to 28 February 2022.

We conducted our engagement in accordance with Australian Standard on Assurance Engagements ASAE 3100 Compliance Engagements (ASAE 3100). We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In accordance with ASAE 3100 we have:

- Used our professional judgement to plan our procedures and assess the risks that may cause material non-compliance with each of the compliance requirements to be concluded upon;
- Considered internal controls implemented to meet the compliance requirements; however, we do not express a conclusion on their effectiveness; and
- Ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

Summary of Procedures

Our procedures consisted primarily of:

- Utilising ERA's 2019 Audit and Review Guidelines: Water Licences ('the Guidelines') to develop a risk assessment;
- Developing an Audit and Review Plan and an associated work program, approved by the ERA on 8 March 2022;
- Interviewing relevant Muceha Water staff to gain an understanding of process controls;
- Onsite visit to the water treatment facilities in Muceha, and 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. The on-site visit included our Senior Engineer.
- Assessing documents and performing walkthroughs of processes and controls to support the assessment of compliance and the effectiveness of the control environment in accordance with Licence obligations; and
- Performing procedures and testing based on the procedures listed in the approved Audit and Review Plan.

How We Define Reasonable Assurance and Material Non-Compliance

Reasonable assurance is a high level of assurance but is not a guarantee that it will always detect a material non-compliance with the compliance requirements.

Instances of non-compliance are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the intended users taken on the basis of the Licensee's compliance with the compliance requirements.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or non-compliance with the compliance requirements may occur and not be detected.

A reasonable assurance engagement throughout the specified period does not provide assurance on whether compliance with the compliance requirements will continue in the future.

Use of this Assurance Report

This report has been prepared for Muchea Water and the ERA for the purpose of assessing compliance with the requirements of the License and may not be suitable for another purpose.

We understand that a copy of this report will be provided to the ERA for the purpose of reporting on the reasonable assurance engagement for the Licensee. We agree that a copy of this report may be provided to the ERA in connection with this purpose, but only on the basis that we accept no duty, liability or responsibility to the ERA in relation to the report.

We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Licensee and the ERA, or for any other purpose other than that for which it was prepared.

Management's responsibility

Muchea Water's management are responsible for:

- The compliance activities undertaken to meet the requirements of the Licence;
- Identifying risks that threaten the compliance requirements identified above being met and identifying, designing and implementing controls to enable the compliance requirements to be met and, monitoring ongoing compliance;
- Ensuring that it has complied in all material respects with the requirements of the Licence;
- Establishing and maintaining an effective system of internal control over its systems designed to achieve its compliance with the Licence requirements;
- Implementing processes for assessing its compliance requirements and for reporting its level of compliance to the ERA; and
- Implementing corrective actions for instances of non-compliance (if any).

Our responsibility

Our responsibility is to perform a reasonable assurance engagement in relation to Muchea Water's compliance with its License requirements throughout the period and to issue an assurance report that includes our conclusion.

Our Independence and Quality Control

We have complied with our independence and other relevant ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Australian Professional and Ethical Standards Board and complied with the applicable requirements of Australian Standard on Quality Control 1 to maintain a comprehensive system of quality control.

We confirm that the ERA's 2019 Audit and Review Guidelines: Water Licenses 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 Assurance

Geoff White CA
Director

19 July 2022

2. Executive Summary

2.1 Background

Aqua Ferre (Mucnea) Pty Ltd ('Mucnea Water') has a Water Services Licence, issued by the Economic Regulation Authority ('ERA') under the *Water Services Act 2012* ('Act'), for the provision of potable water supply in the estates of Mucnea, located in the Shire of Chittering.

Mucnea Water has developed a potable water treatment scheme in collaboration with two land developers, Riverside and Harvis. The Riverside Development is located 8 kilometres north east of the Mucnea town site and 56 kilometres north of the Perth central business district and involves the creation of approximately 238 residential allotments in progressive stages. The Harvis development involves the creation of approximately 30 industrial/commercial lots in the first stage of development.

The Water Treatment Plan (WTP) was constructed onsite and commenced operation in May 2021. Water is extracted from an onsite bore and processed through separate filtration, pumping stations and pipelines to the residential estate and the industrial/commercial estate. There were 23 connected properties at 30 June 2021.

This audit and review covers the period from commencement of the licence on 25 February 2020 to 28 February 2022.

The audit and review approach is based on the compliance obligations set out in the Licence, applicable legislation, regulatory guidelines (Water Compliance Reporting Manual 2021 and previous versions May 2020 and May 2018) and the 2019 Audit and Review Guidelines: Water Licences.

2.2 Operational Audit

This 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 Mucnea Water has fully complied with its Water Services Licence obligations during the audit period from 25 February 2020 to 28 February 2022.

Out of 200 applicable compliance obligations, the audit found:

- 89 obligations were rated compliant (83 with adequate controls, 1 with generally adequate controls – improvement needed and 5 compliant with control not reviewed).
- 111 were not rated for compliance, as no relevant activity took place during the audit period (79 with adequate controls and 32 where controls were not reviewed).

The audit confirmed that Mucnea Water has complied with its information reporting obligations for the period 25 February 2020 to 28 February 2022.

The control environment is considered to be effective to manage compliance with the licence conditions.

2.3 Asset Management System Review

This review has been conducted to assess the effectiveness of the Licensee's asset management 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 Mucnea Water has operated the scheme in a reliable manner and provided a good level of service to the residents of Mucnea.

The review found that Mucnea Water has established an adequate control environment for ongoing compliance in respect of the asset management system.

For the review period from 25 February 2020 to 28 February 2022, the potable water system servicing the residential and industrial/commercial estates near Mucnea, under Water Services Licence WL51 are considered to be operated with a professional and comprehensive approach.

Overall, the water supply scheme is assessed as being well constructed, well maintained and in good working order.

Out of 58 effectiveness criteria for the asset management system, the review found:

- 48 criteria were rated as performing effectively (47 with adequately defined processes and 1 with processes that require improvement);
- 10 were rated as opportunity for improvement (5 with processes that require some improvement and 5 with processes that require significant improvement).

There were two recommended improvements relating to asset operations and asset maintenance.

3. Operational Audit

3.1 Introduction

Aqua Ferre (Muchea) Pty Ltd ('Muchea Water') is required to comply with the terms and conditions of their license. There were three versions of the Water Services License WL51 in force over the audit period:

- Version 1 (From 25 February 2020 to 30 April 2020);
- Version 2 (From 1 May 2020 to 27 October 2020) with changes from the ERA's 2019 Water Licence Review; and
- Version 3 (From 28 October 2020 and onwards) – operating area expanded.

Under the Act, water services' licensees are required to provide reports on an operational audit ('audit') and an effectiveness review of their asset management system ('review') once every 24 months, or another period that has been specified by the ERA.

The ERA engaged Quantum Management Consulting and Assurance ('Quantum Assurance') to undertake an audit and review of Muchea's water supply services, to comply with the licensing requirements of the ERA.

This audit and review covers the period from commencement of the licence on 25 February 2020 to 28 February 2022.

The audit and review approach is based on the compliance obligations set out in the Licence, applicable legislation, regulatory guidelines (Water Compliance Reporting Manual 2021 and previous versions 2020) and the 2019 Audit and Review Guidelines: Water Licences.

3.2 Objectives and Scope

The objective was to provide the ERA with an independent assessment of the licensee's compliance with relevant obligations under the licence.

The audit applied a risk-based audit approach. The scope of the audit included the adequacy and effectiveness of performance against the requirements of the licence by considering:

- **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 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 ERA; and
- **compliance with any individual licence conditions** - the requirements imposed on the specific licensee by the ERA or specific issues that are advised by the ERA.

When assessing if a licensee has complied with its licence obligations, the auditor must apply a level of scrutiny that corresponds to a 'reasonable assurance engagement'. A reasonable assurance engagement is:

“An assurance engagement in which the assurance practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the assurance practitioner's conclusion. The assurance practitioner's conclusion is expressed in a form that conveys the assurance practitioner's opinion on the outcome of the measurement or evaluation of the underlying subject matter against criteria.” (ASAE3000)

The highest priority areas (priority 1, 2 or 3) based on inherent risk were:

- Cut off water supply to occupied dwelling (obligation 21); and
- Preserved water supply register and restrictions on reduced supply (obligations 154B, 154C and 154D).

The audit aimed to identify any areas where improvement is required and recommend corrective action as necessary.

3.3 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 – controls not assessed in the audit. | NR | Not rated – no activity in current period |

3.4 Summary of Audit Ratings of Controls and Compliance

The current audit assessment of the ratings for the adequacy of controls and compliance with the 200 applicable legislative obligations is shown below in the summary table and detailed obligations table.

Summary of Audit Ratings of Control and Compliance

| Controls rating | Compliance Rating | | | | | | |
|------------------------|-------------------|----------------|--------------------------------------|---|--------------------------------------|-----------------|------------|
| | Rating | 1 Compliant | 2 Non-compliant (minor impact) | 3 Non-compliant (moderate impact) | 4 Non-compliant (major impact) | NR Not rated | Total |
| A - Adequate | | 83 | - | - | - | 79 | 162 |
| B – Generally adequate | | 1 | - | - | - | - | 1 |
| C - Inadequate | | - | - | - | - | - | - |
| D – No controls | | - | - | - | - | - | - |
| NP – Not performed | | 5 | - | - | - | 32 | 37 |
| Total | | 89 | - | - | - | 111 | 200 |

Detailed Audit Ratings of Control and Compliance by Obligation

| No. ¹ | Brief Description | Legislative Reference | Audit Priority applied (rated 1 = High to 5 = Low) | Obligation Not Applicable | 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 | | | | | | | | | | | | | | |
| 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) | 4 | | ✓ | | | | | ✓ | | | | |
| 7 | Changes to asset management system | Sec. 24(1)(b) | 4 | | ✓ | | | | | | | | | ✓ |
| 8 | Asset management system review | Sec. 24(1)(c) | 4 | | ✓ | | | | | ✓ | | | | |
| 9 | Operational audit | Sec. 25 | 4 | | ✓ | | | | | ✓ | | | | |
| 10 | Code of practice | Sec. 26(3) | 4 | | | | | ✓ | | | | | | ✓ |
| 13 | Termination of service | Sec. 36 | 4 | | | | | ✓ | | | | | | ✓ |
| 14 | Supplier of last resort | Sec. 60 | 4 | | | | | ✓ | | | | | | ✓ |
| 15 | Ombudsman scheme | Sec. 70(2) | 4 | | ✓ | | | | | ✓ | | | | |
| 16 | Interruption of water supplies | Sec. 77(3) | 4 | | ✓ | | | | | ✓ | | | | |
| 17 | Notification of building works | Sec. 82(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 | Cut off water supply | Sec. 95(3) | 2 | | ✓ | | | | | | | | | ✓ |
| 22 | Fire hydrants for reticulation works | Sec. 96(1) | 4 | | | | | ✓ | | | | | | ✓ |
| 23 | Requests from FESA or local government | Sec. 96(5) | 4 | | | | | ✓ | | | | | | ✓ |
| 28 | Compliance notice issued by licensee re building works | Sec. 119(2) | 4 | | | | | ✓ | | | | | | ✓ |
| 29 | Review of decisions | Sec. 122(2) | 4 | | | | | ✓ | | | | | | ✓ |
| 30 | Apportionment of fees between properties | Sec. 125(2) | 4 | | | | | ✓ | | | | | | ✓ |
| 31 | Lodging memorial to secure fees owing | Sec. 128(4) | 4 | | | | | ✓ | | | | | | ✓ |
| 32 | Notice to property owner - entry | Sec. 129(5) | 4 | | ✓ | | | | | ✓ | | | | |
| 33 | Notice to property owner – removal of fence | Sec. 139(3) | 4 | | ✓ | | | | | | | | | ✓ |

¹ The number refers to the Obligation reference in the Water Compliance Reporting Manual 2020 and previous versions 2017 and 2018 where applicable.

² Refer Controls and Compliance Rating Scales in Section 3.3.

| No. ¹ | Brief Description | Legislative Reference | Audit Priority applied (rated 1 = High to 5 = Low) | Obligation Not Applicable | 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 | |
| 34 | Notice to roads authority | Sec. 141(1) | 4 | | ✓ | | | | | | | | | | ✓ |
| 35 36 37 38 39 | Proposal for major works | Sec. 142, 143(2) &(3), 144(3), 145(2) | 4 | | ✓ | | | | | | | | | | ✓ |
| 40 41 | Proposal for general works – Minister notices | Sec. 147(3) & (4) | 4 | | ✓ | | | | | | | | | | ✓ |
| 42 43 44 45 | Proposal for general works | Sec. 151(1) - (3), 153(3), | 4 | | ✓ | | | | | | | | | | ✓ |
| 46 47 48 | Interest in land | Sec. 166(5) - (6), 170 | 4 | | ✓ | | | | | | | | | | ✓ |
| 49 50 | Notice of entry to property and authority to enter | Sec. 173(4) & 174 (1) | 4 | | ✓ | | | | | | | | | | ✓ |
| 51 | Notice of entry after entry without notice | Sec. 174 (3) | 4 | | ✓ | | | | | | | | | | ✓ |
| 52 53 54 55 56 57 | Notice of entry to property and authority to enter | Sec. 175(2) & (5), 176(1), (3) & (4) 181 | 4 | | ✓ | | | | | | | | | | ✓ |
| 58 59 60 61 | Warrant to enter property | Sec. 186, 187(1) - (3), 190(4) - (5) | 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 2013 | | | | | | | | | | | | | | | |
| 65 | Meter testing – multi-unit | Reg. 23(2) | 4 | | ✓ | | | | | | | | | | ✓ |
| 66 | Meter testing - compliance | Reg. 24(4) | 4 | | ✓ | | | | | | | | | | ✓ |
| 67 | Meter access - compliance | Reg. 26(3) | 4 | | ✓ | | | | | | | | | | ✓ |
| 68 | Meter testing – tolerance | Reg. 26(5) | 4 | | ✓ | | | | | | | | | | ✓ |
| 69 | Lot development | Reg. 29(1) | 4 | | | | | | ✓ | | | | | | ✓ |
| 70 71 72 | Backflow prevention devices | Reg. 42(2), 43(3), 43(6). | 4 | | ✓ | | | | | ✓ | | | | | ✓ |
| 74 | Work affecting roads | Reg. 60(2) | 4 | | ✓ | | | | | | | | | | ✓ |

| No. ¹ | Brief Description | Legislative Reference | Audit Priority applied (rated 1 = High to 5 = Low) | Obligation Not Applicable | 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 | |
| 75 | Breaks to road surface | Reg. 63 | 4 | | ✓ | | | | | | | | | | ✓ |
| 89 | Compliance notice issued by licensee to include consequences and rights | Reg. 85 | 4 | | | | | | ✓ | | | | | | ✓ |
| Water Services Code of Conduct (Customer Service Standards) 2018 | | | | | | | | | | | | | | | |
| 92 | Information for customers | Cl. 8(1)-(3) | 4 | | ✓ | | | | | | ✓ | | | | |
| 93 | Service connections period | Cl. 9(2) & (4) | 4 | | ✓ | | | | | | ✓ | | | | |
| 94 | Annual service charges | Cl. 10(2) | 4 | | ✓ | | | | | | ✓ | | | | |
| 95 96 | Usage bills at least 4 monthly (6 Monthly in 2017) | Cl.11(2) & (3) | 4 | | ✓ | | | | | | ✓ | | | | |
| 98 | Estimated Bill of Usage | Cl. 11(5) | 4 | | | | | | ✓ | | | | | | ✓ |
| 98A | Estimated Bill at least every 12 months | Cl. 11(6) | 4 | | ✓ | | | | | | ✓ | | | | |
| 99 | Address for billing | Cl. 12 | 4 | | ✓ | | | | | | ✓ | | | | |
| 100 | Billing information | Cl. 13(1) | 4 | | ✓ | | | | | | ✓ | | | | |
| 100A | Billing information – more than one service | Cl. 13(3) | 4 | | ✓ | | | | | | ✓ | | | | |
| 101 | Billing information - usage | Cl. 13(4) | 4 | | ✓ | | | | | | ✓ | | | | |
| 101A | Billing information - estimate | Cl. 13(5) | 4 | | | | | | ✓ | | ✓ | | | | |
| 102A | Billing information – prescribed information | Cl. 13(6) | 4 | | | | | | ✓ | | ✓ | | | | |
| 103 104 | Basic of billing estimate | Cl. 14(1) & (2) | 4 | | | | | | ✓ | | ✓ | | | | |
| 104A | Tariff information | Cl. 15(3) | 4 | | | | | | ✓ | | ✓ | | | | |
| 105 | Request for meter reading | Cl. 16(1) | 4 | | ✓ | | | | | | ✓ | | | | |
| 106 | Higher than normal charge | Cl. 17(2) & (3) | 4 | | ✓ | | | | | | | | | | ✓ |
| 107 108 109 110 | Under and over charges | Cl. 18(2) - (5). | 4 | | ✓ | | | | | | | | | | ✓ |
| 111A | Over charges - refunds | Cl. 19(2) | 4 | | ✓ | | | | | | | | | | ✓ |
| 112A 112B 112C | Over charges - refunds | Cl. 19(3)-(5) | 4 | | ✓ | | | | | | | | | | ✓ |
| 113 | Review of bill upon request | Cl. 20(1) | 4 | | ✓ | | | | | | | | | | ✓ |
| 114 | Review of bill procedure – written procedure | Cl. 20(2) | 4 | | ✓ | | | | | | | | | | ✓ |
| 115 | Review of bill procedure – information | Cl. 20(3) & (6) | 4 | | ✓ | | | | | | | | | | ✓ |

| No. ¹ | Brief Description | Legislative Reference | Audit Priority applied (rated 1 = High to 5 = Low) | Obligation Not Applicable | 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 | |
| 116 | Review of bill procedure – ombudsman | Cl. 20(4) | 4 | | ✓ | | | | | | | | | | ✓ |
| 117 | Review of bill procedure – timeframe | Cl. 20(5) | 4 | | ✓ | | | | | | | | | | ✓ |
| 117A | Notification of change in water service charge | Cl. 21 | 4 | | ✓ | | | | | | | | | | ✓ |
| 118 | At least 14 days for payment | Cl. 23 | 4 | | ✓ | | | | | ✓ | | | | | |
| 119 | Payment methods - options | Cl. 24(1) | 4 | | ✓ | | | | | ✓ | | | | | |
| 120 | Payment methods - fees | Cl. 24(2) | 4 | | ✓ | | | | | ✓ | | | | | |
| 121 | Payment methods-direct debit authority | Cl. 25(1) | 4 | | ✓ | | | | | | | | | | ✓ |
| 122 | Payment in advance | Cl. 26(1) | 4 | | ✓ | | | | | | | | | | ✓ |
| 123 | Redirection of bills | Cl. 27 | 4 | | ✓ | | | | | | | | | | ✓ |
| 124A 124B 124C | Payment plan | Cl. 28(2), (3) & (4). | 4 | | ✓ | | | | | | | | | | ✓ |
| 125 126A 126B 127 | Financial hardship policy | Cl. 29(1) - (5) | 4 | | ✓ | | | | | ✓ | | | | | |
| 126 | Financial hardship policy (<i>Applicable until April 2018</i>) | Cl. 26(3) | 4 | | ✓ | | | | | ✓ | | | | | |
| 128 | Financial hardship policy - publicly available | Cl. 29(6) | 4 | | ✓ | | | | | ✓ | | | | | |
| 129A | Financial hardship policy – review | Cl. 29(7) | 4 | | | | | | ✓ | | | | | | ✓ |
| 129B | Financial hardship policy – review if directed | Cl. 29(8) | 4 | | | | | | ✓ | | | | | | ✓ |
| 129C | Financial hardship – payment variations | Cl. 29(9) | 4 | | | | | | ✓ | | | | | | ✓ |
| 130A 130B 131A 131B 131C | Financial hardship – payment variations | Cl. 30(2) & (3), 30(4)(a)-(c) | 4 | | ✓ | | | | | ✓ | | | | | |
| 133 | Written information re payment assistance | Cl. 31 (4) & (5) | 4 | | ✓ | | | | | ✓ | | | | | |
| 133A | No interest in some circumstances | Cl. 32 | 4 | | ✓ | | | | | ✓ | | | | | |
| 134 | Debt recovery - complaint | Cl. 33(1)(a) – (c) | 4 | | ✓ | | | | | ✓ | | | | | |
| 134A | Debt recovery – payment plan | Cl. 33(1)(d) – (e) | 4 | | ✓ | | | | | | | | | | ✓ |
| 135 136 | Restoring water supply | Cl. 40(1) & (2) | 4 | | ✓ | | | | | | | | | | ✓ |

| No. ¹ | Brief Description | Legislative Reference | Audit Priority applied (rated 1 = High to 5 = Low) | Obligation Not Applicable | 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 | |
| 137A 137B 137C 138 138A 138B | Water supply restriction | Cl. 36(1)-(3), 37(1)(a)-(h) & 38 | 4 | | ✓ | | | | | | | | | | ✓ |
| 139 | Rate of flow | Cl. 39 | 4 | | ✓ | | | | | | | | | | ✓ |
| 142 | Restoring water supply | Cl. 41(4) | 4 | | ✓ | | | | | | | | | | ✓ |
| 144 | Compliance rate | Cl. 41(6) | 4 | | ✓ | | | | | | | | | | ✓ |
| 144A 144B | Notice of planned service interruptions | Cl. 43(1)-(2) | 4 | | ✓ | | | | | ✓ | | | | | |
| 144C 144D | Policy for dealing with leaks and blockages | Cl. 44(1) - (2) | 4 | | ✓ | | | | | ✓ | | | | | |
| 144E | 24 hour information line | Cl 45 | 4 | | ✓ | | | | | ✓ | | | | | |
| 145 146 | Complaints procedure - written | Cl. 46(1) - (2) | 4 | | ✓ | | | | | ✓ | | | | | |
| 147 | Complaints procedure - details | Cl. 46(3) | 4 | | ✓ | | | | | ✓ | | | | | |
| 148A | Complaints procedure - Ombudsman | Cl. 46(4) | 4 | | ✓ | | | | | ✓ | | | | | |
| 149 | Complaints procedure publicly available | Cl. 46(5) | 4 | | ✓ | | | | | ✓ | | | | | |
| 149A | Resolution of complaints | Cl. 47 | 4 | | ✓ | | | | | ✓ | | | | | |
| 150 | No charge for information | Cl. 48(1) | 4 | | ✓ | | | | | | | | | | ✓ |
| 152 | Access to customer information | Cl. 48(2) | 4 | | ✓ | | | | | ✓ | | | | | |
| 153 | Code of Conduct publicly available in hardcopy and on website | Cl. 49(1) | 4 | | ✓ | | | | | ✓ | | | | | |
| 154 | Bill information on website | Cl. 49 (2) | 4 | | ✓ | | | | | ✓ | | | | | |
| 154A | Link to WA website | Cl. 49(3) | 4 | | ✓ | | | | | ✓ | | | | | |
| 154B | Preserved supply register | Cl. 51(1),(3) | 2 | | ✓ | | | | | ✓ | | | | | |
| 154C 1564D | Preserved supply register | Cl. 52 & 53 | 2 | | ✓ | | | | | | | | | | ✓ |
| Licence Conditions – Specific Clauses | | | | | | | | | | | | | | | |
| 155 | Fees to regulator | Cl. 4.2.1 | 4 | | ✓ | | | | | ✓ | | | | | |
| 159 | Direction from ERA | Cl. 4.1.2 | 4 | | | | | | ✓ | | | | | | ✓ |
| 159A | Comply with terms and conditions of licence | Cl. 4.1.3 | 4 | | ✓ | | | | | ✓ | | | | | |
| 160 | Compliance with Accounting Standards | Cl. 4.6.1 | 4 | | ✓ | | | | | ✓ | | | | | |
| 161 | Compliance with performance standards | Cl. 5.2.1 | 4 | | ✓ | | | | | ✓ | | | | | |

| No. ¹ | Brief Description | Legislative Reference | Audit Priority applied (rated 1 = High to 5 = Low) | Obligation Not Applicable | 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 | |
| 162 | Operational audit | Cl. 5.3.4 | 4 | | ✓ | | | | | | ✓ | | | | |
| 163 | External administration | Cl. 4.7.1(a)-(c) | 4 | | | | | | ✓ | | | | | | ✓ |
| 165 | Provision of information to the ERA | Cl. 4.8.1 | 4 | | ✓ | | | | | | ✓ | | | | |
| 166 | Compliance reporting to ERA (<i>Applicable to April 2020</i>) | Cl. 3.8.2 | 4 | | ✓ | | | | | | ✓ | | | | |
| 167 | Performance reporting to ERA | Cl. 4.8.2 | 4 | | ✓ | | | | | | ✓ | | | | |
| 168 | Publishing information | Cl. 3.8.1 & 3.8.2 | 4 | | | | | | ✓ | | | | | | ✓ |
| 169 | Notices in writing | Cl. 3.7.1 | 4 | | ✓ | | | | | | ✓ | | | | |
| 170A | Notify ERA of asset management system (AMS) | Cl. 5.1.1 (a) & (b) | 4 | | ✓ | | | | | | ✓ | | | | |
| 171 | Notify ERA of material change to AMS | Cl. 5.1.3 | 4 | | ✓ | | | | | | | | | | ✓ |
| 172 | AMS review | Cl. 5.1.7 | 4 | | ✓ | | | | | | ✓ | | | | |
| 172A 172B | ERA direction re condition of service | Cl. 6.1.1-6.1.2 | 4 | | | | | | ✓ | | | | | | ✓ |
| 173 | Ombudsman scheme (<i>Applicable to April 2020</i>) | Cl. 5.5.1 | 4 | | ✓ | | | | | | ✓ | | | | |
| 175 | Customer contract direction by ERA (<i>Applicable to April 2020</i>) | Cl. 5.1.1 | 4 | | ✓ | | | | | | | | | | ✓ |
| 176 | Customer contract guidelines (<i>Applicable to April 2020</i>) | Cl. 5.1.2 | 4 | | ✓ | | | | | | ✓ | | | | |
| 177 178 179 180 | Customer contract approval and amendment (<i>Applicable to April 2020</i>) | Cl. 5.1.3, 5.1.5, 5.3.1, 5.3.2, 5.3.4 | 4 | | ✓ | | | | | | | | | | ✓ |
| 181 | Obligations of supplier of last resort | Cl. 6.3.1 | 4 | | | | | | ✓ | | | | | | ✓ |
| 182 | No services outside operating area | Cl. 4.4.1(b) | 4 | | ✓ | | | | | | ✓ | | | | |
| 183 | Financial hardship policy guidelines (<i>Applicable to April 2020</i>) | Cl. 5.4.3 | 4 | | ✓ | | | | | | ✓ | | | | |
| 184 | MOU with Department of Health ((potable water) (<i>Applicable after May 2020</i>)) | Cl. 7.1.1 | 4 | | ✓ | | | | | | ✓ | | | | |
| 185 | MOU legal compliance | Cl. 7.1.4 | 4 | | ✓ | | | | | | ✓ | | | | |
| 186 | MOU compliance | Cl. 7.1.5 | 4 | | ✓ | | | | | | ✓ | | | | |
| 187 | MOU published | Cl. 7.1.6 | 4 | | ✓ | | | | | | ✓ | | | | |

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|---|---|-----------------------|---|---------------------------|---|---|---|---|----|---|---|---|---|----|---|
| | | | | | A | B | C | D | NP | 1 | 2 | 3 | 4 | NR | |
| 188 | MOU - audit reports published | Cl. 7.1.7 | 4 | | ✓ | | | | | | | | | | ✓ |
| 189 | MOU – other reports published | Cl. 7.1.8 | 4 | | ✓ | | | | | ✓ | | | | | |
| 190 | Service and performance standards (if applicable) | Schedule 2 | 4 | | ✓ | | | | | ✓ | | | | | |
| Water Services Code of Practice (Family Violence) 2020 | | | | | | | | | | | | | | | |
| 191 | Family violence policy (191 to 198 from March 2021) | Cl. 5(1) | 4 | | ✓ | | | | | ✓ | | | | | |
| 192 | Family violence policy before the end of the six-month period | Cl. 5(2) | 4 | | ✓ | | | | | ✓ | | | | | |
| 193 | Published family violence policy on website | Cl. 6 | 4 | | ✓ | | | | | ✓ | | | | | |
| 194 | Review of family violence policy once every 5-year period | Cl. 7 | 4 | | ✓ | | | | | | | | | | ✓ |
| 195 | Records of compliance with this code | Cl. 8(1) | 4 | | ✓ | | | | | ✓ | | | | | |
| 196 | Retain records for at least 7 years | Cl. 8(2) | 4 | | ✓ | | | | | ✓ | | | | | |
| 197 | Inform customers of complaints procedure | Cl. 9 | 4 | | ✓ | | | | | | | | | | ✓ |
| 198 | Website link to current copy of this Code | Cl. 10 | 4 | | | ✓ | | | | ✓ | | | | | |

3.5 Detailed Audit Observations

| No ³ | Legislative Reference | Licence Condition | Description | Audit Priority ⁴ | Systems, Processes, Controls in Place to Comply with Licence (including any recommendations) | Adequacy of Controls Rating ⁵ | Compliance Rating ⁶ |
|--------------------------------|-----------------------|-------------------|--|-----------------------------|---|--|--------------------------------|
| Water Services Act 2012 | | | | | | | |
| 2 | Section 21(1)(b) | Clause 4.3.1(b) | The licensee must if requested, offer to provide the water service authorised by the licence to any other person (not covered by section 21(1)(a) of the Act) within the operating area of the licence on reasonable terms, unless provision of the service is not financially viable or is otherwise not practicable. | 4 | The auditor confirmed with Muchea Water's Director that connections are made as lots are sold in the residential and industrial estates. This obligation to install residential connections within 10 business days is documented in the Customer Service Charter. Commercial connections vary depending upon the size and number of connections required and are assessed on a case by case basis. | A | 1 |
| 3 | Section 21(1)(c) | Clauses 4.1.1 | The licensee must provide, operate and maintain the water service works specified by the ERA in the licence for the purpose of section 11(3). | 4 | The operation and maintenance of the water service works was confirmed by this audit. This obligation is documented in the Asset Management Plan. | A | 1 |
| 4 | Section 22 | Clause 4.4.1(a) | The licensee must notify the ERA as soon as practicable before commencing to provide the water service outside of the operating area of the licence. | 4 | The auditor confirmed with Muchea Water's Director and field observation that the licensee does not provide a water service outside of the operating areas set out in Plan Number OWR-OA-317(A). | NP | NR |
| 5 | Section 23 | Clause 4.5.1 | 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 a works holding arrangement. | 4 | The auditor confirmed by discussion with the Director and review of the Asset Management Plan that the water service assets are owned or operated under contracts with the land developers by Muchea Water. This obligation is documented in the Asset Management Plan. | A | 1 |

³ The number refers to the item reference in the Water Compliance Reporting Manual 2021, ERA or if applicable, 2020 and/or 2018 manuals.

⁴ The highest priority areas (priority 1, 2 or 3) based on inherent risk and expected controls/processes are highlighted in **RED**.

⁵ Controls Rating Scale: A=Adequate, B=Generally adequate, C=Inadequate, D=No controls, NP=Not performed.

⁶ 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 | Legislative Reference | Licence Condition | Description | Audit Priority ⁴ | Systems, Processes, Controls in Place to Comply with Licence (including any recommendations) | Adequacy of Controls Rating ⁵ | Compliance Rating ⁶ |
|-----------------|---------------------------|-------------------------|---|-----------------------------|--|--|--------------------------------|
| 6 | Sections 24(1)(a) & 24(2) | Clause 5.1.1 | The licensee must provide for an asset management system in respect of the licensee's water service works. | 4 | This audit confirmed the licensee has an asset management system (AMS). This obligation is documented in the Asset Management Plan. | A | 1 |
| 7 | Section 24(1)(b) | Clauses 5.1.2 and 5.1.3 | The licensee must give details of the asset management system and any changes to it to the ERA (the licence prescribes timeframes for providing this information to the ERA – see obligations 170A and 171). | 4 | The auditor confirmed with Muchea Water's Director and field observations that no changes have been made to the Asset Management System (AMS) during the audit period. The requirement to notify the ERA of any material change to the AMS within 10 days of the change is included in the Asset Management Plan. | A | NR |
| 8 | Section 24(1)(c) | Clause 5.1.4 | A licensee must provide the ERA 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 ERA. | 4 | Reviews of the asset management system have been completed as required by the ERA. The requirement to complete reviews is documented in the Asset Management Plan and the Compliance and Reporting Register. | A | 1 |
| 9 | Section 25 | Clause 5.3.1 | A licensee must, not less than once every 24 months, or such longer period as determined by the ERA, provide the ERA with an operational audit conducted by an independent expert appointed by the ERA. | 4 | This is the first audit required by the ERA. The requirement to complete audits is documented in the Asset Management Plan and the Compliance and Reporting Register. | A | 1 |
| 10 | Section 26(3) | Clause 4.1.1 | The licensee must comply with each code of practice made by the Minister to the extent to which it applies to the licensee. | 4 | The auditor confirmed here have been no codes of practice issued by the Minister. | NP | NR |
| 13 | Section 36 | Clause 4.1.1 | 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 | The auditor confirmed with Muchea Water's Director and field observation that the licensee did not cease to provide a water service in the area. | NP | NR |

| No ³ | Legislative Reference | Licence Condition | Description | Audit Priority ⁴ | Systems, Processes, Controls in Place to Comply with Licence (including any recommendations) | Adequacy of Controls Rating ⁵ | Compliance Rating ⁶ |
|-----------------|--|-------------------|--|-----------------------------|--|--|--------------------------------|
| 14 | Section 60 | Clause 6.3.1 | If the licensee is the supplier of last resort for a designated area in relation to the provision of a particular water service, 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 | The auditor confirmed with Muchea Water's Director that Muchea Water is not a supplier of last resort. | NP | NR |
| 15 | Section 70(2) <i>(previously 66 until April 2020)</i> | Clause 6.2.1 | The licensee must not supply water services to customers unless the licensee: <ul style="list-style-type: none"> • is a member of the water services ombudsman scheme; and • is bound by the scheme; and • will comply with any decision or direction of the water services ombudsman under the scheme. | 4 | The auditor confirmed with Muchea Water's Director that during the audit period, Muchea Water was a member of the water services ombudsman scheme and was bound by the scheme and complied with any directions. The membership was also confirmed by the Ombudsman website and payment of the fee for 2020/21. This obligation is stated in the Customer Service Charter. | A | 1 |
| 16 | Section 77(3) | Clause 4.1.1 | The licensee must take reasonable steps to minimise the extent or duration of any interruption of water services it is responsible for. | 4 | The auditor confirmed by review of the Performance and Compliance Reports provided to the ERA for 2020/21 that there were no unplanned interruptions of services in this period. There was one unplanned interruption in November 2021 due to works in an adjoining residential estate. The auditor confirmed that reasonable action was taken to minimise the extent and duration of the interruption. The obligation to minimise any unplanned or planned interruptions is stated in the Customer Contract, the "Faults and Outages" page on the website and the Muchea Water Maintenance Plan. | A | 1 |
| 17 | Sections 82(4) & (5) | Clause 4.1.1 | 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 | 4 | There has been no major work on the Water Treatment Plan or mains pipe infrastructure since construction. The procedures for construction works are included in the Maintenance Plan. | A | NR |

| No ³ | Legislative Reference | Licence Condition | Description | Audit Priority ⁴ | Systems, Processes, Controls in Place to Comply with Licence (including any recommendations) | Adequacy of Controls Rating ⁵ | Compliance Rating ⁶ |
|-----------------|-----------------------|-------------------|---|-----------------------------|---|--|--------------------------------|
| | | | 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. | | | | |
| 18 | Section 84(2) | Clause 4.1.1 | 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 with Muchea Water's Director that no notices were given in the audit period for any additional water service works. | NP | NR |
| 19 | Section 87(2) | Clause 4.1.1 | 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 | <i>As per item 18 above.</i> | NP | NR |
| 20 | Section 90(7) | Clause 4.1.1 | 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 | <i>As per item 18 above.</i> | NP | NR |

| No ³ | Legislative Reference | Licence Condition | Description | Audit Priority ⁴ | Systems, Processes, Controls in Place to Comply with Licence (including any recommendations) | Adequacy of Controls Rating ⁵ | Compliance Rating ⁶ |
|-----------------|-----------------------|-------------------|---|-----------------------------|--|--|--------------------------------|
| 21 | 95(3) | Clause 4.1.1 | The licensee cannot cut off the supply of water to an occupied dwelling unless the occupier agrees to that. | 2 | The auditor confirmed with Muchea Water's Director that, during the audit period, the licensee did not cut off the supply of water to any occupied dwelling. The policy is to not cut off the water supply. This obligation is documented in the Customer Service Charter and the Maintenance Plan. | A | NR |
| 22 | 96(1) | Clause 4.1.1 | 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 FESA, or the relevant local government as to the location and type of hydrant. | 4 | The auditor confirmed with Muchea Water's Director that there have been no requests from the Department of Fire and Emergency Services (DFES) to instal fire hydrants. | NP | NR |
| 23 | 96(5) | Clause 4.1.1 | The licensee must comply with requests made by FESA or a local government under sections 96(3) and 96(4) of the Act to the extent practicable and within a reasonable time. | 4 | Muchea Water's Director advised that no formal requests have been received from DFES or the local government authority. | NP | NR |
| 28 | Section 119(2) | Clause 4.1.1 | The licensee must include the information specified in a compliance notice given in relation to the matters set out in section 119(1). | 4 | The auditor confirmed with Muchea Water's Director that all construction is managed by Muchea Water or contracted, so no compliance notices would be issued. | NP | NR |
| 29 | Section 122(2) | Clause 4.1.1 | 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. | NP | NR |
| 30 | Section 125(2) | Clause 4.1.1 | If the licensee provides a water supply, sewerage or drainage service to 2 or more dwellings on land by a single | 4 | The auditor confirmed with Muchea Water's Director that no fees are charged or apportioned between any single connections. | NP | NR |

| No ³ | Legislative Reference | Licence Condition | Description | Audit Priority ⁴ | Systems, Processes, Controls in Place to Comply with Licence (including any recommendations) | Adequacy of Controls Rating ⁵ | Compliance Rating ⁶ |
|-----------------|-----------------------|-------------------|---|-----------------------------|---|--|--------------------------------|
| | | | 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> . | | | | |
| 31 | Section 128(4) | Clause 4.1.1 | 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 | Muchea Water's Director advised that no memorials have been lodged in the audit period. | NP | NR |
| 32 | Section 129(5) | Clause 4.1.1 | 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 Muchea Water's Director that if entry was required, at least 48 hours' notice is given. For any planned interruptions to water services during the audit period, the required notice was given to residents. None required entry to the dwellings. Entry to all other places were given 48 hours' notice. This obligation is documented in the Customer Service Charter and the Maintenance Plan. | A | 1 |
| 33 | Section 139(3) | Clause 4.1.1 | If the licensee removes or erects a fence or gate when exercising a works power conferred by the Act, the licensee must take all reasonable steps to notify the owner before doing so. | 4 | The auditor confirmed with Muchea Water's Director that no construction work was undertaken on lots sold during the audit period. The obligation re fences is stated in the Maintenance Plan. | A | NR |
| 34 | Section 141(1) | Clause 4.1.1 | A person authorised by the licensee may enter a road and exercise a works power of the licensee without consent, notice or warrant unless the exercise of the power involves opening or breaking up the surface of the road, or would cause a major obstruction of the road or disruption of the traffic, in which case the | 4 | The auditor confirmed with Muchea Water's Director that any road works would include giving at least 48 hours' notice to the local government authority and the residents. The auditor confirmed with Muchea Water's Director that no works had been carried out in the audit period. | A | NR |

| No ³ | Legislative Reference | Licence Condition | Description | Audit Priority ⁴ | Systems, Processes, Controls in Place to Comply with Licence (including any recommendations) | Adequacy of Controls Rating ⁵ | Compliance Rating ⁶ |
|-----------------|-----------------------|-------------------|---|-----------------------------|--|--|--------------------------------|
| | | | licensee must give at least 48 hours' notice to the public authority that has control or management of the road. | | This obligation is documented in the Maintenance Plan. | | |
| 35 | Sections 142 | Clause 4.1.1 | 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 by section 148. | 4 | The auditor confirmed with Muchea Water's Director and review of the Asset Management System documentation that no major works have occurred during the audit period since construction of the WTP and piping. The auditor confirmed that any major water works would include obtaining regulatory approvals and giving notice to the community and stakeholders. The procedures are stated in the Maintenance Plan. | A | NR |
| 36 | Sections 143 (2) | Clause 4.1.1 | 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 | A | NR |
| 37 | Sections 143 (3) | Clause 4.1.1 | 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. | A | NR |
| 38 | Section 144(3) | Clause 4.1.1 | The licensee must have regard to an objection or submission lodged within the relevant period. | 4 | As per item 35. | A | NR |
| 39 | Section 145(2) | Clause 4.1.1 | 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 | 4 | As per item 35. | A | NR |

| No ³ | Legislative Reference | Licence Condition | Description | Audit Priority ⁴ | Systems, Processes, Controls in Place to Comply with Licence (including any recommendations) | Adequacy of Controls Rating ⁵ | Compliance Rating ⁶ |
|-----------------|-----------------------|-------------------|---|-----------------------------|---|--|--------------------------------|
| | | | who is likely to be adversely affected by those alterations. | | | | |
| 40 | Section 147(3) | Clause 4.1.1 | 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. | A | NR |
| 41 | Section 147(4) | Clause 4.1.1 | 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. | A | NR |
| 42 | Section 151(1) | Clause 4.1.1 | 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 by interview with Muchea Water's Director and review of the Asset Management System documentation that no general works have occurred during the audit period, apart from the initial construction of the WTP and piping. Any building works are assessed by the Shire of Chittering. Applications for water services from commercial customers are reviewed by Muchea Water's consultant engineers (GHD). The obligation for any general water works include obtaining regulatory approvals and giving notice to the community and stakeholders is documented in the Maintenance Plan. | A | NR |
| 43 | Section 151(2) | Clause 4.1.1 | The licensee must give a notice of general works setting out the matters referred to in section 151(3) to the persons and agencies specified. | 4 | As per item 42. | A | NR |
| 44 | Section 152(3) | Clause 4.1.1 | 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. | A | NR |

| No ³ | Legislative Reference | Licence Condition | Description | Audit Priority ⁴ | Systems, Processes, Controls in Place to Comply with Licence (including any recommendations) | Adequacy of Controls Rating ⁵ | Compliance Rating ⁶ |
|-----------------|-----------------------|-------------------|---|-----------------------------|--|--|--------------------------------|
| 45 | Section 153(3) | Clause 4.1.1 | 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. | A | NR |
| 46 | Section 166(5) | Clause 4.1.1 | 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 Muchea Water Director advised that no advice re acquiring an interest in land, has been received from the Minister. | NP | NR |
| 47 | Section 166(6) | Clause 4.1.1 | 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 | Clause 4.1.1 | 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 | Section 173(4) | Clause 4.1.1 | 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 Muchea Water Director that there was no entry to premises in the audit period and if entry was required, at least 48 hours' notice would be given. The obligation to provide at least 48 hours' notice of entry is stated in the Customer Service Charter, Customer Contract and the Maintenance Plan. | A | NR |
| 50 | Section 174(1) | Clause 4.1.1 | 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 | The auditor confirmed with the Operations and Customer Support Manager and review of the procedures that 48 hours' notice was given in writing and set out the purpose of entry, for any entry to outside of dwellings. There was no entry to premises in the audit period. The obligation is documented in the procedures stated in obligation 49. | A | NR |

| No ³ | Legislative Reference | Licence Condition | Description | Audit Priority ⁴ | Systems, Processes, Controls in Place to Comply with Licence (including any recommendations) | Adequacy of Controls Rating ⁵ | Compliance Rating ⁶ |
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| 51 | Section 174(3) | Clause 4.1.1 | 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 | The auditor confirmed with the Operations and Customer Support Manager that there were no unplanned entries to premises. The obligation is documented in the procedures stated in obligation 49. | A | NR |
| 52 | Section 175(2) | Clause 4.1.1 | 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 | The auditor confirmed with the Operations and Customer Support Manager that no entry was required to any dwelling. The obligation is documented in the procedures stated in obligation 49. | A | NR |
| 53 | Section 175(5) | Clause 4.1.1 | If the licensee enters a dwelling that is unoccupied, the licensee must leave a notice, which includes the prescribed information, or a copy of the warrant (as applicable) in a prominent position in the dwelling before leaving the dwelling. | 4 | As per item 52. | A | NR |
| 54 | Section 176(1) | Clause 4.1.1 | 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 | The auditor confirmed with the Operations and Customer Support Manager that there were no instances of this obligation having occurred or being required. The obligation is documented in the procedures stated in obligation 49. | A | NR |
| 55 | Section 176(3) | Clause 4.1.1 | 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 if they are not able to do so. | 4 | As per item 54 | A | NR |
| 56 | Section 176(4) | Clause 4.1.1 | If the licensee enters or proposes to enter a place, and the owner or occupier | 4 | As per item 54. | A | NR |

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| | | | 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. | | | | |
| 57 | Section 181 | Clause 4.1.1 | 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 54. | A | NR |
| 58 | Section 186 | Clause 4.1.1 | If the licensee applies for a warrant, the application must contain the prescribed information. | 4 | The auditor confirmed by review of the Compliance Officers (Water) Notices Register that no compliance notices or warrants had been applied for or issued during the audit period. | NP | NR |
| 59 | Sections 187(1) – (3) | Clause 4.1.1 | 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. | A | NR |
| 60 | Section 190(4) | Clause 4.1.1 | 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. | A | NR |
| 61 | Section 190(5) | Clause 4.1.1 | On completing the execution of a warrant the licensee must record the prescribed information on that warrant. | 4 | As per item 58. | A | NR |
| 62 | Section 210(5) | Clause 4.1.1 | If the licensee designates a person as an inspector or compliance officer, the licensee must give that person a | 4 | The auditor confirmed by interview with Muchea Water's Director that no persons have been designated as inspectors or compliance officers. | NP | NR |

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| | | | certificate of authority that includes certain prescribed information. | | | | |
| 63 | Section 218(2) | Clause 4.1.1 | 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 | The auditor confirmed with the Operations and Customer Support Manager that this obligation was complied with in the entry to any premises during the audit period. The obligation is documented in the procedures stated in obligation 49. | A | 1 |
| 64 | Section 218(3) | Clause 4.1.1 | 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 Operations and Customer Support Manager that there was no physical damage that would require compensation. The obligation is documented in the procedures stated in obligation 49. | A | NR |
| Water Services Regulations 2013 | | | | | | | |
| 65 | Regulation 23(2) | Clause 4.1.1 | If the licensee provides a water supply service in respect of a multi-unit development, the licensee must, on the request of the owner or the strata company, assess whether a meter is satisfactory for measuring the quantity or flow of water passing through a pipe supplying water to the unit. | 4 | The audit confirmed with the Muchea Water Director that there have been no requests to assess meters for multi-unit developments. This obligation is stated in the Customer Service Charter. | A | NR |
| 66 | Regulation 24(4) | Clause 4.1.1 | If the licensee gives a compliance notice to a person in respect of access to meters, the notice must specify the specified information. | 4 | As per item 65. | A | NR |
| 67 | Regulations 26(3) | Clause 4.1.1 | If the owner or occupier requests the licensee to test a meter and pays the charge (if any) for testing that type of meter, the licensee must test the meter in accordance with a procedure | 4 | As per item 65. | A | NR |

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| | | | approved by the CEO for the purpose of this regulation. | | | | |
| 68 | Regulation 26(5) | Clause 4.1.1 | If a meter test finds that the meter is outside the prescribed tolerance applicable, the licensee must take the specified actions, bear the costs of testing and refund or credit any charges paid under regulation 26(3). | 4 | As per item 65. | A | NR |
| 69 | Regulation 29(1) | Clause 4.1.1 | The licensee must, on the written request of a developer who is required to pay the licensee an infrastructure contribution in respect of a subdivided lot, defer the payment of the contribution unless regulations 29(3) or 29(4) applies. | 4 | The audit confirmed with the Mucnea Water Director that there would be no requests from developers to pay an infrastructure contribution and therefore, no requests to defer payment. | NP | NR |
| 70 | Regulation 42(2) | Clause 4.1.1 | The written order requiring the owner or occupier of land to install a backflow prevention device must set out the date which the device must be installed and tested (which must be at least 7 days after the order is given). | 4 | The audit confirmed with the Mucnea Water Director that Mucnea Water's standard residential water meters include backflow prevention, and commercial/non-standard connection requirements are assessed on case by case basis to specify the backflow prevention device required. This obligation is documented in the Compliance and Reporting Register. | A | 1 |
| 71 | Regulation 43(3) | Clause 4.1.1 | The compliance notice given by the licensee to the owner or occupier of land must specify that the backflow prevention device be tested or maintained in accordance with the standard and the date by which the testing or maintenance is required to be done (which must be at least 7 days after the day the notice is given to the owner or occupier). | 4 | As per item 70. | A | 1 |

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| 72 | Regulation 43(6) | Clause 4.1.1 | The compliance notice requiring the owner or occupier of land to have their backflow prevention device made good as specified in the notice must include the work that is required to be done, the manner in which the work is to be done and the date by which the work is to be done (which must be at least 7 days after the notice is given) | 4 | As per item 70. | A | 1 |
| 74 | Regulation 60(2) | Clause 4.1.1 | 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 with the Mucnea Water Director that any road works would include giving at least 48 hours' notice to the local government authority and the residents. The auditor confirmed with that no works had been carried out in the audit period. This obligation is documented in the Maintenance Plan. | A | NR |
| 75 | Regulation 63 | Clause 4.1.1 | 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. | A | NR |
| 89 | Regulation 85 | Clause 4.1.1 | 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 auditor confirmed with Mucnea Water's that no notices were given in the audit period for any water service works. | NP | NR |

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| Water Services Code of Conduct (Customer Service Standards) 2018 | | | | | | | |
| 92 | 8(1)-(3) | Clause 4.1.1 | <p>The licensee must have written information for customers about the prescribed matters regarding connections and the information must be publicly available.</p> <p><i>(Note: the information required by clause 8(2)(a) applies to the Water Corporation, Bunbury Water Corporation and Busselton Water Corporation only and the information required by clause 8(2)(g) applies only to licensees that supply potable water).</i></p> <p><i>Previous obligation until April 2020 - the licensee must have written information for customers about the prescribed matters regarding connections and the information must be available on the licensee's website and a hardcopy provided to a customer upon request at no charge.</i></p> <p><i>Note: The 2021 Water Compliance Manual included a requirement that for non-potable water supply, the licensee is to provide non-potable water on the basis that the customer is responsible for treatment of water fit for human drinking (obligations 92 to 139 and 144 to 154D). As the licensee does not provide non-potable water, this amendment does not apply to this audit.</i></p> | 4 | <p>The auditor sighted the information provided to customers and confirmed it covers the specified matters.</p> <p>The information is available online at the Muchea Water website and in hardcopy upon request.</p> <p>The obligation is stated in the Customer Contract.</p> | A | 1 |

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| 93 | 9(2) and (4) | | The licensee must ensure that, in any 12-month period, 90% of water supply service 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 new connections during the audit period as confirmed by Mucnea Water's Director and the Water Licence Performance Reports for the audit period submitted to the ERA. All were connected within 10 business days. This obligation to is stated in the Customer Service Charter. | A | 1 |
| 94 | 10(2) | Clause 4.1.1 | If the licensee charges a fixed charge, the licensee must issue a bill for a fixed charge to each customer at least once in every 12-month period. | 4 | The audit confirmed with the Mucnea Water Director and by review of invoices that an annual fixed charge is billed every 12 months. This obligation is included in the Customer Contract. | A | 1 |
| 95 | 11(2) | Clause 4.1.1 | If the licensee charges a quantity charge, the licensee must issue a bill - for a quantity charge to each customer at least once in every 4-month period. | 4 | The audit confirmed with the Mucnea Water Director and by review of invoices that a usage charge based on a meter reading is billed every 3 months and sent to the customers' address. The meter is read remotely. This obligation is included in the Customer Contract. | A | 1 |
| 96 | 11(3) | Clause 4.1.1 | A bill for usage must be based on a meter reading to ascertain the quantity supplied or discharged. | 4 | As per item 95. | A | 1 |
| 98 | 11(5) | Clause 4.1.1 | 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 | The Mucnea Water Director confirmed there have been no usage bills issued based on estimated usage in the audit period. If an accurate reading is not possible, the Water Billing Review Procedure available on the website states that a reasonable estimate of usage will be made. | NP | NR |
| 98A | 11(6) | Clause 4.1.1 | Despite subclauses 11(4) and (5), a bill for usage based on a meter reading | 4 | The audit confirmed with the Mucnea Water Director and by review of invoices that a usage charge based on a meter reading is billed every 3 | A | 1 |

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| | | | must be issued at least once in every 12-month period. | | months and sent to the customers' address. The meter is read remotely. This obligation is included in the Customer Contract. | | |
| 99 | 12 | Clause 4.1.1 | 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 | As per item 98A. | A | 1 |
| 100 | 13(1) | Clause 4.1.1 | Each bill must contain the prescribed information. | 4 | As per item 98A. | A | 1 |
| 100A | 13(3) | Clause 4.1.1 | A bill issued for 2 or more water services must specify the charge payable for each water service. | 4 | As per item 98A. | A | 1 |
| 101 | 13(4) | Clause 4.1.1 | Each bill for usage for a metered water service must contain the specified information. | 4 | As per item 98A. | A | 1 |
| 101A | 13(5) | Clause 4.1.1 | If a bill for usage for a metered water service was based on an estimate, the bill must inform the customer that the licensee will tell the customer the prescribed information on request. | 4 | The Muchea Water Director confirmed there have been no usage bills issued based on estimated usage in the audit period. | NP | NR |
| 102A | 13(6) | Clause 4.1.1 | Each bill must contain the prescribed information. | 4 | As per item 101A. | NP | NR |
| 103 | 14(1) | Clause 4.1.1 | 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 | As per item 101A. | NP | NR |
| 104 | 14(2) | Clause 4.1.1 | If a bill is based on an estimate, the licensee must make any adjustments to the next bill to take into account the extent to which the estimate was not | 4 | As per item 101A. | NP | NR |

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| | | | reasonable having regard to a subsequent and accurate meter reading. | | | | |
| 104A | 15(3) (Applicable after May 2018) | Clause 4.1.1 | Each bill for usage to which clause 15 applies must, in addition to the requirements of clause 13, contain the prescribed information. (i.e., discount for leaks) | 4 | As per item 101A. | NP | NR |
| 105 | 16(1) | Clause 4.1.1 | The licensee must provide to the customer on request a meter reading and a bill (or revised bill if applicable) for outstanding charges outside of the usual bill cycle, or in case the customer disputes an estimate. | 4 | The auditor confirmed with the Mucnea Water Director that bills are issued outside of the billing cycle upon request by the customer. This obligation is stated in the Review of Billing Procedure. | A | 1 |
| 106 | 17(2) and (3) | Clause 4.1.1 | The licensee must have a written policy, standard or set of guidelines (available on the licensee's website and a hardcopy provided to a customer upon request at no charge) 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 from the customer's system. | 4 | The auditor confirmed with the Mucnea Water Director that there were no requests for discounts in the audit period. This obligation is stated in the Review of Billing Procedure. | A | NR |
| 107 | 18(2) | Clause 4.1.1 | 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 | The auditor confirmed with the Mucnea Water Director that there were no undercharges in the audit period. This obligation is stated in the Review of Billing Procedure. | A | NR |
| 108 | 18(3) | Clause 4.1.1 | An undercharged amount must be the subject of, and explained in, a special bill or a separate item in the next bill. | 4 | As per item 107. | A | NR |

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| 109 | 18(4) | Clause 4.1.1 | The licensee must not charge interest or late payment fees on an undercharged amount. | 4 | As per item 107. | A | NR |
| 110 | 18(5) | Clause 4.1.1 | The licensee must allow a customer to pay an undercharged amount by way of a repayment plan that has effect for the duration of the shorter of the prescribed periods starting on the day that the bill in clause 18(3) is issued. | 4 | As per item 107. | A | NR |
| 111A | 19(2) | Clause 4.1.1 | The licensee must, within 15 business days of becoming aware of an overcharge, credit the overcharged amount to the customer's account or send the customer a notice informing the customer of the overcharging and recommending options for how the overcharged amount may be refunded or credited to the customer's account. | 4 | The auditor confirmed with the Mucnea Water Director that there were no undercharges in the audit period. This obligation is stated in the Review of Billing Procedure. | A | NR |
| 112A | 19(3) | Clause 4.1.1 | If the licensee sends the customer an overcharging notice and receives instructions from the customer about the refunding or crediting of the overcharged amount, the licensee must refund the overcharged amount, or credit the overcharged amount to the customer's account within 15 business days of the licensee receiving the instructions. | 4 | As per item 111A. | A | NR |
| 112B | 19(4) | Clause 4.1.1 | If instructions from the customer about the refunding or crediting of the overcharged amount have not been received by the licensee at the end of the period of 10 business days starting on the day an overcharging notice is sent, the licensee must credit the overcharged amount to the customer's account | 4 | As per item 111A. | A | NR |

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| | | | before the end of the period of the next 15 business days. | | | | |
| 112C | 19(5) | Clause 4.1.1 | The licensee must notify the customer immediately after crediting the overcharged amount to the customer's account under subclause (2)(a), (3) or (4). | 4 | As per item 111A. | A | NR |
| 113 | 20(1) | Clause 4.1.1 | The licensee must review a bill on the customer's request. | 4 | The auditor confirmed with the Mucnea Water Director that there were no requests to review bills in the audit period. This obligation is stated in the Review of Billing Procedure. | A | NR |
| 114 | 20(2) | Clause 4.1.1 | The license must have a written procedure for the review of a bill on the customer's request. | 4 | The auditor sighted the Review of Billing Procedure that covers this obligation. The obligation is also stated in the Customer Service Charter available on the website and in hardcopy upon request at no charge. | A | 1 |
| 115 | 20(3) and (6) | Clause 4.1.1 | The review procedure in clause 20(2) must include the specified information and be available on the licensee's website and a hardcopy provided to a customer upon request at no charge. | 4 | As per item 114. | A | NR |
| 116 | 20(4) | Clause 4.1.1 | The review procedure must state that the customer may, but does not have to, use the licensee's complaints procedure mentioned in clause 46 before or instead of applying to the water services ombudsman or, if available, making an appeal from, or applying for a review of, the decision under regulations mentioned in section 222(2)(k) of the Act. | 4 | As per item 114. | A | NR |

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| 117 | 20(5) | Clause 4.1.1 | 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 114. | A | NR |
| 117A | 21 | Clause 4.1.1 | The licensee must notify each of its customers of any change to the amount or rate of a water service charge in accordance with the requirements in clause 21(2). | 4 | As per item 114. | A | NR |
| 118 | 23 | Clause 4.1.1 | The time set by the licensee for the payment of a bill must be after 14 days from when the bill is issued. | 4 | The auditor sighted the due date on the invoices was 21 days after the issue date. The Customer Contract states that the invoice is due 14 days after issue. | A | 1 |
| 119 | 24(1) | Clause 4.1.1 | The licensee must allow a customer to pay a bill using any of the prescribed methods selected by the customer. | 4 | The auditor sighted the invoices and confirmed they include the required prescribed methods of payment. The Customer Contract states that the customer can pay using any of the prescribed methods. | A | 1 |
| 120 | 24(2) | Clause 4.1.1 | 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 | The Customer Contract states that the customer can pay using any of the prescribed methods and there are no additional fees or charges. The Mucnea Water Director confirmed there has been one extended bill payment to a customer in the audit period and they were informed there were no fees or charges. | A | 1 |

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| 121 | 25(1) | Clause 4.1.1 | Before receiving a bill payment by direct debit, the licensee must obtain the express consent of the customer or of an adult person nominated by the customer to give consent. | 4 | The auditor confirmed with the Mucnea Water Director that there were no requests to pay bills by direct debit in the audit period. This obligation is stated in the Customer Contract. | A | NR |
| 122 | 26(1) | Clause 4.1.1 | The licensee must accept payment in advance from a customer on a customer's request. | 4 | The auditor confirmed with the Mucnea Water Director that there were no requests for payments in advance in the audit period. This obligation is stated in the Customer Contract. | A | NR |
| 123 | 27 | Clause 4.1.1 | The licensee must on request and at no charge redirect a customer's bills because of the customer's absence or illness. | 4 | The auditor confirmed with the Mucnea Water Director that there were no requests to redirect customer bills in the audit period. This obligation is stated in the Customer Contract. | A | NR |
| 124A | 28(2) | Clause 4.1.1 | The licensee must advise a customer who has been assessed as experiencing payment difficulties that they have a right to pay the bill under a payment plan or other arrangement under which the customer is given more time to pay the bill or arrears, and the licensee must offer to enter into an appropriate plan or arrangement with the customer. | 4 | The auditor confirmed with the Mucnea Water Director that there were no requests from customers re payment difficulties in the audit period. This obligation is stated in the Customer Contract, Customer Charter and Review of Billing Procedure. | A | NR |
| 124B | 28(3) | Clause 4.1.1 | When formulating a payment plan or other arrangement for a customer that the licensee has assessed as experiencing payment difficulties, the licensee must take the customer's capacity to pay the bill into account. In the case of a bill for usage, the licensee must also take into account how much water has been supplied or wastewater has been discharged in previous billing periods. | 4 | As per item 124A. | A | NR |

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| 124C | 28(4) | Clause 4.1.1 | The licensee must consider and decide whether or not the payment plan or other arrangement for a customer who has been assessed as experiencing payment difficulties should be interest-free, or fee-free, or both. | 4 | As per item 124A. | A | NR |
| 125 | 29(1) and (2) | Clause 4.1.1 and Schedule 3, clause 1.1.1 | The licensee must have a written policy in relation to financial hardship that is approved by the ERA. | 4 | Muchea Water has a Financial Hardship Policy that was approved by the ERA on 24 February 2020. | A | 1 |
| 126A | 29(3) | Clause 4.1.1 | Unless the ERA approves otherwise, the licensee's financial hardship policy must comply with the ERA's guidelines (if any) in relation to financial hardship policies. | 4 | The Financial Hardship Policy complied with the ERA guidelines. | A | 1 |
| 126B | 29(4) | Clause 4.1.1 | Unless the ERA approves otherwise, amendments to the licensee's financial hardship policy must be approved by the ERA and comply with the ERA's guidelines (if any) in relation to financial hardship policies. | 4 | Refer item 125. | A | 1 |
| 127 | 29(5) | Clause 4.1.1 | The licensee's financial hardship policy must be in effect within 6 months of the day of the grant of the licence. | 4 | The Financial Hardship Policy was approved by the ERA on 24 February 2020 which was within 6 months of the licence being granted on 25 February 2020. | A | 1 |
| 128 | 29(6) | Clause 4.1.1 | The licensee's financial hardship policy must be available on the licensee's website and a hardcopy provided to a customer upon request at no charge. | 4 | The Financial Hardship Policy is available on the website and in hardcopy upon request. | A | 1 |
| 129A | 29(7) | Clause 4.1.1 | The licensee must review its financial hardship policy at least once in every 5 year period. | 4 | As the policy was first issued in February 2020, it is not yet due for review. | NP | NR |

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| 129B | 29(8) | Clause 4.1.1 | The licensee must review its financial hardship policy if directed to do so by the ERA. | 4 | The auditor confirmed with Muchea Water's Director that there were no directions from the ERA in the audit period to review the Financial Hardship policy. | NP | NR |
| 129C | 29(9) | Clause 4.1.1 | The licensee must consult with relevant consumer organisations when formulating or reviewing its financial hardship policy. | 4 | The Financial Hardship Policy was approved by the ERA on 24 February 2020. | NP | NR |
| 130A | Clause 30(2) | Clause 4.1.1 | The licensee must advise a customer who has been assessed as experiencing financial hardship that they have a right to pay the bill under an interest-free and fee-free payment plan or other arrangement under which the customer is given more time to pay the bill or arrears, and the licensee must offer to enter into an appropriate plan or arrangement with the customer. | 4 | The auditor confirmed with the Muchea Water Director that in this audit period, there was one request from a customer to enter into a payment plan and this was agreed. This obligation is stated in the Financial Hardship Policy available on the website and in hardcopy upon request at no charge. | A | 1 |
| 130B | 30(3) | Clause 4.1.1 | When formulating a payment plan or other arrangement for a customer that the licensee has assessed as experiencing financial hardship, the licensee must take the customer's capacity to pay the bill into account. In the case of a bill for usage, the licensee must also take into account how much water has been supplied or wastewater has been discharged in previous billing periods. | 4 | Refer obligation 130A. | A | 1 |
| 131A | 30(4)(a) | Clause 4.1.1 | The licensee must consider reducing the amount owing by the customer. | 4 | Refer obligation 130A. | A | 1 |
| 131B | 30(4)(b) | Clause 4.1.1 | The licensee must review, upon request, how a customer is paying a bill under clause 30(2) and (3) and revise the | 4 | Refer obligation 130A. | A | 1 |

| No ³ | Legislative Reference | Licence Condition | Description | Audit Priority ⁴ | Systems, Processes, Controls in Place to Comply with Licence (including any recommendations) | Adequacy of Controls Rating ⁵ | Compliance Rating ⁶ |
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| | | | payment plan or arrangement if the review indicates the customer is unable to meet the obligations. | | | | |
| 131C | 30(4)(c) | Clause 4.1.1 | The licensee must provide the specified written information to a customer. | 4 | Refer obligation 130A. | A | 1 |
| 133 | 31(4) and (5) | Clause 4.1.1 | The licensee must have written information regarding the payment schemes and other assistance that is available to customers. The information must be available on the licensee's website and a hardcopy provided to a customer upon request at no charge. | 4 | Refer obligation 130A. | A | 1 |
| 133A | 32 | Clause 4.1.1 | The licensee must not charge interest or fees for late payment of a bill by a customer in the specified circumstances. | 4 | Refer obligation 130A. | A | 1 |
| 134 | 33(1)(a)-(c) | Clause 4.1.1 | The licensee must not commence or continue proceedings to recover a debt from a customer if the customer is complying with a payment plan or other arrangement, is being assessed for payment difficulties or is being assessed for financial hardship. | 4 | Refer obligation 130A. | A | 1 |
| 134A | 33(1)(d)-(e) | Clause 4.1.1 | The licensee must not commence or continue proceedings to recover a debt from a customer if a complaint made by the customer to the licensee or water services ombudsman, which directly relates to the water service charge to which the debt relates, is not resolved by the licensee (or is not determined or is upheld by the ombudsman). | 4 | The auditor sighted the Customer Complaint Register and noted there were 2 complaints re water quality in the audit period. Both complaints were resolved within 2 days. There were no actions to recover a debt. This obligation is stated in the Customer Service Charter and the Financial Hardship Policy. | A | NR |

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| 135 | 40(1) | Clause 4.1.1 | If the licensee has cut off or reduced the rate of flow of water to land under section 95(1)(b) of the Act, the licensee must restore the supply of water if the amount owing is paid, or if the customer enters into a payment arrangement for the amount owing that is satisfactory to the licensee. | 4 | The auditor confirmed with the Muechea Water Director that there were no requests from customers re financial hardship in the audit period. This obligation is stated in the Financial Hardship Policy available on the website and in hardcopy upon request at no charge. The Muechea Water Director confirmed there have been no water restrictions or supply cut off in the audit period. | A | NR |
| 136 | 40(2) | Clause 4.1.1 | If the licensee has, under section 95(1)(a), (c), (d) or (e) of the Act, cut off or reduced the flow of water, the licensee must restore the supply of water if the licensee is satisfied that the reason for the disconnection or reduction no longer applies. | 4 | Refer obligation 135. | A | NR |
| 137A | 36(1) | Clause 4.1.1 | The licensee must not start a water supply restriction unless the licensee has given the customer a reminder notice (that includes the information specified in clause 35), the water service charge has still not been paid in full, and the licensee has given the customer a restriction notice. | 4 | Refer obligation 135. | A | NR |
| 137B | 36(2) | Clause 4.1.1 | The licensee must not give a customer a restriction notice less than 7 days before the day on which the water supply restriction is proposed to start. | 4 | Refer obligation 135. | A | NR |
| 137C | 36(3) | Clause 4.1.1 | The restriction notice must include the specified information. | 4 | Refer obligation 135. | A | NR |
| 138 | 37(1)(a)-(e) and (h) | Clause 4.1.1 | The licensee must not start a water supply restriction if the specified circumstances apply. | 4 | Refer obligation 135. | A | NR |

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| 138A | 37(1)(f)-(g) | Clause 4.1.1 | The licensee must not start a water supply restriction if the specified circumstances apply. | 4 | Refer obligation 135. | A | NR |
| 138B | 38 | Clause 4.1.1 | The licensee must not start a water supply restriction on or during the specified times. | 4 | Refer obligation 135. | A | NR |
| 139 | 39 | Clause 4.1.1 | The licensee must not, under section 95(1)(b) or (2) of the Act, reduce the rate of flow of water to a customer to below 2.3 litres each minute. | 4 | Refer obligation 135. | A | NR |
| 142 | 41(4) | Clause 4.1.1 | 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 | Refer obligation 135. | A | NR |
| 144 | 41(6) | Clause 4.1.1 | The licensee (other than the Water Corporation) must ensure that there is a 90% compliance rate with clause 41(4) in any 12-month period ending on 30 June. | 4 | Refer obligation 135. | A | NR |
| 144A | 43(1) | Clause 4.1.1 | The licensee must give notice of any planned service interruption to each customer that will be affected by the service interruption. | 4 | The auditor confirmed with the Mucnea Water Director that there was one planned interruption in the audit period and sighted the 48 hours' notice provided to customers. This obligation is stated in the Customer Contract, Customer Charter and Maintenance Plan. | A | 1 |
| 144B | 43(2) | Clause 4.1.1 | The notice of any planned service interruption must be given within the prescribed timeframes. | 4 | Refer obligation 144A. | A | 1 |
| 144C | 44(1) | Clause 4.1.1 | The licensee must have policies, practices and procedures for dealing with and minimising the impact of a | 4 | The auditor sighted the Leaks and Burst Mains Procedure on the Mucnea Water website that includes the required procedures. | A | 1 |

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| | | | burst, leak or blockage in its water supply works or sewerage works. | | This obligation is also documented in the Maintenance Plan. | | |
| 144D | 44(2) | Clause 4.1.1 | The policies, practices and procedures under clause 44(1) must deal with the prescribed matters. | 4 | The procedures noted in obligation 144C deal with the prescribed matters. | A | 1 |
| 144E | 45 | Clause 4.1.1 | The licensee must provide a 24 hour information line by means of which, at the cost of a local telephone call (excluding mobile telephones), a customer can notify the licensee of emergencies and faults, and get information about the reason for, and the expected duration of, any unplanned service interruption. | 4 | The auditor confirmed that a 24 hour information line is available with the contact details on the Muehea Water website "Faults and Outages" page and in the Customer Service Charter. | A | 1 |
| 145 | 46(1) | Clause 4.1.1 | 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. | 4 | The auditor sighted the complaints procedure in the Customer Service Charter. The procedure includes the required information. | A | 1 |
| 146 | 46(2) | Clause 4.1.1 | The licensee's complaints procedure must be developed using as minimum standards the relevant provisions of AS/NZS 10002-2014 and the ERA's guidelines (if any). | 4 | The complaints procedure is compliant with the relevant provisions of AS ISO 10002-2014 and the ERA's Customer Complaints Guidelines dated December 2016. | A | 1 |
| 147 | 46(3) | Clause 4.1.1 | The licensee's complaints procedure must provide for the matters specified in relation to lodgment of complaints, responding to complaints, dispute resolution arrangements and resolving complaints. | 4 | The audit reviewed the Customer Service Charter and confirmed the complaints procedure includes how complaints are to be lodged and recorded, dispute resolution arrangements, time limits and methods for responding, and the alternative of referring a complaint to the Energy and Water Ombudsman. | A | 1 |

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| 148A | 46(4) | Clause 4.1.1 | The licensee's complaints procedure must list the procedures available to the customer under the Act as to applying to the water services ombudsman or making an appeal from, or applying for a review of, the decision that gave rise to the complaint, if an appeal or review is available under regulations mentioned in section 222(2)(k). | 4 | Refer obligation 147. The procedure covers this obligation. | A | 1 |
| 149 | 46(5) | Clause 4.1.1 | The licensee's complaints procedure must be available on the licensee's website and a hardcopy provided to a customer upon request at no charge. | 4 | The auditor confirmed the complaints procedure in the Customer Service Charter is available on the website, including a Complaints link, and in hardcopy upon request at no charge. | A | 1 |
| 149A | 47 | Clause 4.1.1 | When the licensee considers that a customer's complaint has been resolved the licensee must advise the customer accordingly, inform the customer that the customer has a right to apply to the water services ombudsman for a review of the complaint, and provide a Freecall telephone number for the water services ombudsman. | 4 | The auditor sighted the Customer Complaint Register and noted there were 2 complaints re water quality in the audit period. Both complaints were resolved within 2 days. There were no actions to recover a debt. The customers were advised of their right to contact the Ombudsman and the freecall number in the Customer Service Charter on the website. The obligation re review by the Energy and Water Services Ombudsman is stated in the Customer Service Charter and the Financial Hardship Policy. | A | 1 |
| 150 | 48(1) | Clause 4.1.1 | The licensee must provide a customer with the specified services on request and at no charge. | 4 | <i>Under this Section of Code, the licensee must provide a customer with the following on request and at no charge:</i> <ul style="list-style-type: none"> a) <i>services for account, payment and general enquiries for use by customers with hearing or speech impaired;</i> b) <i>interpreter services for account, payment and general enquiries;</i> c) <i>a large-print version of any of the licensee's publicly available documents.</i> | A | NR |

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| | | | | | The auditor confirmed with the Muehea Water Director that the information is available in the above formats and that during the audit period, no such request has been received. The information is available on the website and in hardcopy upon request at no charge. | | |
| 152 | 48(2) | Clause 4.1.1 | The licensee must make available to each customer, at no charge, the customer's personal account information including information about bills previously issued to the customer and about the quantity of water supplied to, or wastewater discharged by, the customer in previous billing periods. | 4 | The auditor confirmed with the Muehea Water Director that the information is available and that during the audit period, there was one request. The auditor sighted the correspondence with the customer including the provision of previous bills. This obligation is documented in the Customer Contract available on the website and in hardcopy upon request and at no charge. | A | 1 |
| 153 | 49(1) | Clause 4.1.1 | The licensee must make the prescribed information publicly available. <i>Previous obligation until April 2020 – the licensee must make the prescribed information publicly available on the licensee's website and a hardcopy provided to a customer upon request at no charge.</i> | 4 | The auditor confirmed that the "prescribed information" set out in Clause 49 of the Code is available to customers in the Customer Service Charter and the Customer Contract on the website and available in hardcopy upon request at no charge. | A | 1 |
| 154 | 49(2) | Clause 4.1.1 | The licensee must ensure that the specified information about bills may be obtained from its website. | 4 | The information about the customer complaints procedure per Clause 49(2)(f) is available on the Muehea Water website. | A | 1 |
| 154A | 49(3) | Clause 4.1.1 | The licensee must ensure that its website contains a link to the current version of this code appearing on the website that is maintained by or on behalf of the Western Australian Government and that provides public access to electronic versions of Western Australian legislation. | 4 | The auditor confirmed there is a link in the home page on the website to the current version of the Code on the WA legislation site. | A | 1 |

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| 154B | 51(1) and (3) | Clause 4.1.1 | The licensee must maintain an up-to-date preserved supply register for the purposes of Part 9 of the Code if the licensee meets the criteria in clause 51(2). The register must record the prescribed information in clause 51(3) if the criteria in clause 51(2) applies to the licensee. <i>Note: Changes in Italics were made to the obligation in May 2020.</i> | 2 | The auditor sighted the Preserved Supply Register and confirmed that it included the prescribed information. There were no customers recorded for Muchea Water. This obligation is stated in the Customer Contract and the Compliance and Reporting Register. | A | 1 |
| 154C | 52 | Clause 4.1.1 | The licensee must not, under section 95(1)(b) of the Act, reduce the rate of flow of a supply of water to a supply address recorded on the preserved supply register. * *Potable water only. | 2 | The auditor sighted the Preserved Supply Register and confirmed that it included the prescribed information. There were no customers recorded for Muchea Water. This obligation is stated in the Customer Contract. | A | NR |
| 154D | 53 | Clause 4.1.1 | Despite clause 43(3), in the case of a service interruption that will affect a supply address recorded on the preserved supply register, the notice required by clause 43(1) must be sent by post or delivered to that supply address. | 2 | As per item 154C. | A | NR |
| Other License conditions | | | | | | | |
| 155 | Water Services Act Section 12 | Clause 4.2.1 | The licensee must pay the applicable fees and charges in accordance with the Economic Regulation Authority (Licensing Funding) Regulation 2014. | 4 | The auditor confirmed the annual fees to the ERA for 2020/21 have been paid by the due date. This obligation is stated in the Compliance and Reporting Register. | A | 1 |
| 159 | Water Services Act Section 12 | Clause 4.1.2 | The licensee must comply with a direction from the ERA in relation to a breach of applicable legislation. | 4 | The auditor confirmed with Muchea Water's Director and by review of ERA's website that the ERA did not | NP | NR |

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| | | | | | issue a direction in relation to a breach of applicable legislation during the audit period. | | |
| 159A | <i>Water Services Act</i> Section 12 (Applicable until April 2020) | Clause 4.1.3 | The licensee must comply with the terms and conditions of the licence. | 4 | This audit has confirmed Muchea Water's compliance with the licence with no exceptions. | A | 1 |
| 160 | <i>Water Services Act</i> Section 12 | Clause 4.6.1 | The licensee and any related body corporate must maintain accounting records that comply with standards issued by the Australian Accounting Standards Board or equivalent International Accounting Standards. | 4 | The auditor reviewed Aqua Ferre (Muchea) Pty Ltd's Financial Statements for 2019/20 and 2020/21 prepared by external accountants that confirmed the accounting records comply with accounting standards. | A | 1 |
| 161 | <i>Water Services Act</i> Section 12 | Clause 5.2.1 | The licensee must comply with any individual performance standards prescribed by the ERA. | 4 | From review of the Performance Report to the ERA for 2019/20, the auditor confirmed the water flow rate and pressure meet the performance standards in Schedule 2 of the licence. The required performance standards are documented in the AMP. | A | 1 |
| 162 | <i>Water Services Act</i> Section 12 | Clause 5.3.4 | The licensee must cooperate with the independent expert and comply with the ERA's audit and review guidelines dealing with the operational audit. | 4 | This audit/review is designed in accordance with the Audit Guidelines. The licensee has fully co-operated with this audit. | A | 1 |
| 163 | <i>Water Services Act</i> Section 12 | Clause 4.7.1(a), (b), (c) | The licensee must report to the ERA, in the manner prescribed, if a licensee is under external administration or there is a 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 Muchea Water's Financial Reports for the audit period that it was not under external administration during the audit period. | NP | NR |

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| 165 | <i>Water Services Act</i> Section 12 | Clause 4.8.1 | The licensee must provide the ERA specified information relevant to the operation of the licence or the licensing scheme, or the performance of the ERA's function under the Act in the manner and form specified by the ERA. | 4 | In accordance with the Water Compliance Reporting Manual 2021 and previous versions, Muchea Water is required to submit to the ERA: <ul style="list-style-type: none"> • Annual performance reports no later than 31 August for the reporting year ending 30 June; and • Annual compliance reports by 31 August for the year ending 30 June. • Annual standing charge customer data by 31 August for the year ending 30 June. <p>The auditor reviewed Muchea Water's correspondence with the ERA and the Compliance and Performance Reports for 2020/21 and confirmed the reports had been submitted by the due dates.</p> <p>This obligation is documented in the Compliance and Reporting Register.</p> | A | 1 |
| 166 | <i>Water Services Act</i> Section 12 (Applicable until April 2020) | Clause 3.8.2 | The licensee must comply with any information reporting requirements prescribed by the ERA, including but not limited to the provisions of the <i>Water Compliance Reporting Manual</i> that apply to the licensee. | 4 | The annual Compliance Reports submitted to the ERA confirmed that no non-compliances were reported for 2020/21. | A | 1 |
| 167 | <i>Water Services Act</i> Section 12 | Clause 4.8.2 | The licensee must provide the ERA with the data required for performance reporting purposes that is specified in the Water, Sewerage and Irrigation Licence Performance Reporting Handbook, and the National | 4 | The auditor reviewed Muchea Water's correspondence with the ERA and the Compliance and Performance Reports for 2020/21 and confirmed the reports had been submitted with the required data. | A | 1 |

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| | | | Performance Framework that apply to the licensee. | | | | |
| 168 | <i>Water Services Act</i> Section 12 | Clause 3.8.1 and 3.8.2 | Subject to clause 3.8.3, the licensee must publish within the specified timeframe any information that the ERA has directed the licensee to publish under clause 3.8.1. | 4 | The auditor confirmed with Muchea Water's Director that there were no directions from the ERA to publish information. | NP | NR |
| 169 | <i>Water Services Act</i> Section 12 | Clause 3.7.1 | Unless otherwise specified, all notices must be in writing. | 4 | The auditor reviewed Muchea Water's correspondence with the ERA in the audit period and confirmed compliance. All correspondence observed was in hardcopy letter or email. | A | 1 |
| 170A | <i>Water Services Act</i> Section 12 (Applicable from May 2020) | Clause 5.1.1(a) and (b) | The licensee must notify the ERA of the details of the asset management system within five business days from the later of: a) the commencement date; or b) the completion of construction of the licensee's water service works. | 4 | The ERA has been notified of and has approved the asset management system as part of the licence approval. | A | 1 |
| 171 | <i>Water Services Act</i> Section 12 | Clause 5.1.3 | The licensee must notify the ERA of any material change to the asset management system within 10 business days of the change. | 4 | The auditor confirmed with Muchea Water's Director and field observations that no material changes have been made to the Asset Management System (AMS) during the audit period. A minor issue is that the requirement to notify the ERA of any material change to the AMS within 10 days of the change should be stated in the ERA section of the Compliance and Reporting Register. | A | NR |
| 172 | <i>Water Services Act</i> Section 12 | Clause 5.1.7 | The licensee must cooperate with the independent expert and comply with the ERA's audit and review guidelines dealing with the asset management system review. | 4 | This review is being undertaken in accordance with the Audit and Review Guidelines. The licensee has fully co-operated with this asset management review. A minor issue is that this review obligation should be stated in the ERA section of the Compliance and Reporting Register. | A | 1 |

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| 172A | <i>Water Services Act</i> Section 12 (Applicable from May 2020) | Clause 6.1.1 | If the ERA considers that one or more of a licensee's standard terms and conditions of service is no longer in the public interest, the ERA may direct the licensee: a) to amend: i. the standard term or condition of service; or ii. the standard term or condition of service in accordance with a term proposed by the ERA; and b) to do so within a specified period. | 4 | Muchea Water's Director confirmed there has been no directive from the ERA. | NP | NR |
| 172B | <i>Water Services Act</i> Section 12 (Applicable from May 2020) | Clause 6.1.2 | The licensee must comply with a direction given to the licensee under clause 6.1.1. | 4 | Muchea Water's Director confirmed there has been no directive from the ERA. | NP | NR |
| 173 | <i>Water Services Act</i> Section 12 (Applicable until April 2020) | Clause 5.5.1 | The licensee must not supply water service to customers unless the licensee is a member of and bound by the water services ombudsman scheme. | 4 | The auditor confirmed with Muchea Water's Director and review of the Energy and Water Ombudsman (WA) website, that the licensee is a member of the Water Services Ombudsman Scheme. This obligation is stated in the Compliance and Reporting Register. | A | 1 |
| 175 | <i>Water Services Act</i> Section 12 (Applicable until April 2020) | Clause 5.1.1 | If directed by the ERA, the licensee must submit a draft customer contract for approval. | 4 | The auditor confirmed with Muchea Water's Director there has been no directive from the ERA. This obligation is stated in the Compliance and Reporting Register. | A | NR |

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| 176 | <i>Water Services Act</i> Section 12 (Applicable until April 2020) | Clause 5.1.2 | The licensee must comply with any Customer Contract Guidelines that apply to the licensee. | 4 | The auditor confirmed with Muchea Water's Director that the Standard Customer Contract provided to the ERA complied with the Contract Guidelines that applied to April 2020. This obligation is stated in the Compliance and Reporting Register. | A | 1 |
| 177 | <i>Water Services Act</i> Section 12 (Applicable until April 2020) | Clause 5.1.3 | The licensee may only amend the customer contract with the ERA's approval. | 4 | The initial contract has been approved by the ERA as part of the licence approval. There have been no amendments to the contract. This obligation is stated in the Compliance and Reporting Register. | A | NR |
| 178 | <i>Water Services Act</i> Section 12 (Applicable until April 2020) | Clause 5.1.5 | The licensee must comply with any direction by the ERA to amend the customer contract. | 4 | Refer obligation 176. | A | NR |
| 179 | <i>Water Services Act</i> Section 12 (Applicable until April 2020) | Clause 5.3.1 and 5.3.1 | Unless clause 5.3.3 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 license or the requirements of the <i>Code of Conduct</i> without the prior approval of the ERA. | 4 | The auditor confirmed with Muchea Water's Director that the licensee did not enter into an agreement with any customers to exclude, modify or restrict the terms and conditions of the licence or the requirements of the Code of Conduct. The contract provisions are documented in the Standard Water Supply Contract and the Terms and Conditions on the website. | A | NR |
| 180 | <i>Water Services Act</i> Section 12 (Applicable until April 2020) | Clause 5.3.4 | If the licensee enters into an agreement that excludes, modifies or restricts the terms and conditions of the license or the requirements of the <i>Code of Conduct</i> , the licensee must publish an annual report containing the information specified. | 4 | Refer obligation 179. | A | NR |

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| 181 | <i>Water Services Act</i> Section 12 | Clause 6.3.1 | If the licensee is appointed as the supplier of last resort for a designated area in relation to the provision of a particular water service, 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 Mucnea Water's Director that Mucnea Water was not appointed as a supplier of last resort. | NP | NR |
| 182 | <i>Water Services Act</i> Section 12 | Clause 4.4.1(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 ERA. | 4 | During the audit period, there was one application to amend the water service area and this was approved by the ERA on 28 October 2020. The auditor confirmed with Mucnea Water's Director and by review of Asset Management System documentation and observation that Mucnea Water does not provide a water service outside of the operating area set out in Plan Number: OWR-OA-317 (A). This obligation is stated in the Compliance and Reporting Register. | A | 1 |
| 183 | <i>Water Services Act</i> Section 12 (Applicable until April 2020) | Clause 5.4.3 | The licensee must comply with the ERA's Financial Hardship Policy Guidelines as they apply to the licensee. | 4 | Mucnea Water has a Financial Hardship Policy that complies with the ERA's Financial Hardship Policy Guidelines. This obligation is stated in the Compliance and Reporting Register. | A | 1 |

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| 184 | <i>Water Services Act</i> Section 12 | Clause 7.1.1 | Where the licensee provides potable water, the licensee must enter into a Memorandum of Understanding with the Department of Health as soon as practicable after the commencement date or as otherwise agreed with Department of Health. | 4 | The auditor sighted the Memorandum of Understanding ('MOU') between the Department of Health ('DOH') and Mucnea Water for Drinking Water dated 26 May 2021. The Water Treatment Plant commenced operation in May 2021. The DOH obligations are stated in the Compliance and Reporting Register. | A | 1 |
| 185 | <i>Water Services Act</i> Section 12 | Clause 7.1.4 | A Memorandum of Understanding must comply with the specified requirements in relation to legal standing of the document and compliance audits by the Department of Health. | 4 | The auditor sighted the Memorandum of Understanding ('MOU') between the Department of Health ('DOH') and Mucnea Water for Drinking Water dated 26 May 2021. The document complies with the legal standing required. There have been no compliance audits in the audit period. The DOH obligations are stated in the Compliance and Reporting Register. | A | 1 |
| 186 | <i>Water Services Act</i> Section 12 | Clause 7.1.5 | The licensee must comply with the terms of a Memorandum of Understanding. | 4 | The auditor confirmed with the Mucnea Water Director and by review of documentation and observation of the plant and testing results that the MOU was complied with as follows: <ul style="list-style-type: none"> • Provision of an annual report on the required drinking water quality information for the areas covered in the MOU. This is not yet due in this audit period. Quarterly reports have been provided since the September 2021 quarter. • The MOU is available on the website. • All materials and substances used in contact with drinking water are approved by the Department of Health. • Regular meetings are conducted between Utilities and the Department of Health in relation to Drinking Water Quality matters. | A | 1 |

| No ³ | Legislative Reference | Licence Condition | Description | Audit Priority ⁴ | Systems, Processes, Controls in Place to Comply with Licence (including any recommendations) | Adequacy of Controls Rating ⁵ | Compliance Rating ⁶ |
|-----------------|---|-------------------|---|-----------------------------|--|--|--------------------------------|
| | | | | | <ul style="list-style-type: none"> Muchea Water recognises and supports the ongoing work of the Advisory Committee for the Purity of Water. Muchea Water has a documented incident management protocol for dealing with water quality incidents. The Australian Drinking Water Guidelines published by the National Health and Medical Research Council. <p>This obligation is stated in the Compliance and Reporting Register.</p> | | |
| 187 | <i>Water Services Act</i> Section 12 | Clause 7.1.6 | The licensee must publish in the form agreed with the Department of Health, a Memorandum of Understanding and any amendments to a Memorandum of Understanding within one month of signing or making the amendment. <i>(Potable water and sewerage services).</i> | 4 | The auditor confirmed the MOU has been published on the Muchea Water website within one month of signing. This obligation is stated in the Compliance and Reporting Register. | A | 1 |
| 188 | <i>Water Services Act</i> Section 12 | Clause 7.1.7 | The licensee must publish the audit report on compliance with its obligations under a Memorandum of Understanding on its website within one month of the completion of the audit or a frequency specified by the Department of Health. | 4 | The auditor confirmed with Muchea Water's Director that there have been no DOH audits to date. This obligation is stated in the Compliance and Reporting Register. | A | NR |
| 189 | <i>Water Services Act</i> Section 12 | Clause 7.1.8 | The licensee must publish, in a form agreed with the Department of Health, any other reports required by the Department of Health or required by a Memorandum of Understanding on the licensee's website, at a reporting frequency specified by the Department of Health. | 4 | The Quarterly Reports required by the MOU have been published on the website for the audit period since the plant commenced operation. The DOH obligations are stated in the Compliance and Reporting Register. | A | 1 |

| No ³ | Legislative Reference | Licence Condition | Description | Audit Priority ⁴ | Systems, Processes, Controls in Place to Comply with Licence (including any recommendations) | Adequacy of Controls Rating ⁵ | Compliance Rating ⁶ |
|--|---|-------------------|---|-----------------------------|--|--|--------------------------------|
| 190 | <i>Water Services Act</i> Section 12 | Schedule 2 | The licensee must comply with the standards set out in Schedule 2 of the licence. | 4 | From review of the Performance Reports to the ERA for 2020/21, and by discussion with the Operations and Customer Support Manger, the audit confirmed the water flow/pressure is regulated by the pressure pump system in the WTP and continuously monitored by two outlet flow meters. The required performance standards are documented in the Asset Management Plan. | A | 1 |
| Water Services Code of Practice (Family Violence) 2020⁷. | | | | | | | |
| 191 | Clause 5(1) (Applicable from March 2021) | Clause 4.1.1 | The Licensee much have a family violence policy that sets out the matters specified in clause 5(1). | 4 | The auditor confirmed with Muchea Water's Director that a Family Violence Policy has been established by 2 July 2021. The auditor sighted the Family Violence Policy on the website and confirmed it sets out the required matters. | A | 1 |
| 192 | Clause 5(2) (Applicable from March 2021) | Clause 4.1.1 | The licensee must have a family violence policy before the end of the six- month period starting on either: 9 December 2020; or if the day of the grant of the licensee's licence is after 9 December 2020, the day of the grant of the licensee's licence. | 4 | Refer obligation 191. | A | 1 |
| 193 | Clause 6 (Applicable from March 2021) | Clause 4.1.1 | A licensee must publish its family violence policy on its website and provide a hard copy of the policy to a customer on request and at no charge. | 4 | The auditor confirmed the policy is published on the website and is also available in hardcopy at no charge. | A | 1 |
| 194 | Clause 7 (Applicable | Clause 4.1.1 | A licensee must review its family violence policy at least once in every 5- year | 4 | As the policy was first issued on 2 July 2021, a further review is not due. The policy states that it will be reviewed at least every 5 years. | A | NR |

⁷ This Water Services Code of Practice (Family Violence) 2020 applies the Code to a licensee that provides a water service to a residential customer. A "residential customer" in the Code means a customer who uses the place where a water service is provided, solely or primarily as the customer's dwelling

| No ³ | Legislative Reference | Licence Condition | Description | Audit Priority ⁴ | Systems, Processes, Controls in Place to Comply with Licence (including any recommendations) | Adequacy of Controls Rating ⁵ | Compliance Rating ⁶ |
|-----------------|---|-------------------|---|-----------------------------|--|--|--------------------------------|
| | <i>from March 2021)</i> | | period, and additionally, if directed to do so by the Minister. | | | | |
| 195 | Clause 8(1) (Applicable from March 2021) | Clause 4.1.1 | A licensee must maintain adequate records in relation to compliance with this code or any policy made under the code. | 4 | The auditor confirmed with Muchea Water's Director and by review of the Family Violence Policy and general record-keeping of Muchea Water, that adequate records would be maintained. | A | 1 |
| 196 | Clause 8(2) (Applicable from March 2021) | Clause 4.1.1 | If the licensee is not a government organisation according to the <i>State Records Act 2000 (WA)</i> , a record that relates to a customer, must be retained for at least 7 years after the last communication between the licensee and the customer, or water services ombudsman. If the record does not relate to a customer, then the record must be kept for at least 7 years after the record is made. | 4 | The auditor confirmed with Muchea Water's Director and by review of the Family Violence Policy and Record Retention Policy that the required records are maintained for at least 7 years. This obligation is documented in the Record Retention Policy. | A | 1 |
| 197 | Clause 9 (Applicable from March 2021) | Clause 4.1.1 | When a customer affected by family violence first contacts a licensee about a particular matter relating to the family violence, the licensee must inform the customer of the existence and operation of the licensee's complaints procedure under clause 46 of the Water Services Code of Conduct (Customer Service Standards) 2018. | 4 | The auditor confirmed with Muchea Water's Director and by review of the Family Violence Policy that the customer would be informed of the customer complaints procedure. The auditor confirmed with Muchea Water's Director that there had been no contacts from customers about family violence in the audit period. The Policy for residential water services customers, states that the licensee will inform the customer of assistance available, including the complaints procedure. | A | NR |

| No ³ | Legislative Reference | Licence Condition | Description | Audit Priority ⁴ | Systems, Processes, Controls in Place to Comply with Licence (including any recommendations) | Adequacy of Controls Rating ⁵ | Compliance Rating ⁶ |
|-----------------|---|-------------------|--|-----------------------------|---|--|--------------------------------|
| 198 | Clause 10 (Applicable from March 2021) | Clause 4.1.1 | A licensee must ensure that its website contains a link that provides access to the current version of the code as it appears on the website that is maintained by or on behalf of the Western Australian Government and that provides public access to electronic versions of Western Australian legislation. | 4 | <p>The auditor sighted the Family Violence Policy on the website and noted that it includes the former link to the code of conduct on the Department of Communities website.</p> <p>A minor control issue is that the link needs to be updated to the new link on the WA Government central website.</p> <p>As the current version of the code was available on a website maintained by the WA Government, this obligation is rated as compliant. Muchea Water has updated the link prior to the final report being issued.</p> | B | 1 |

3.6 Audit Recommendations

| |
|--|
| Table of Current Audit Non- Compliances and Recommendations |
|--|

| A. Resolved during current audit period | | | |
|--|--|--|-----------------------|
| Recommendation (no./year) | Non-Compliance/Controls Improvement (Rating/Licence obligation ref. and obligation/Non-compliance or inadequacy of control) | Date Resolved (& management action taken) | Auditor's Comments |
| | Nil | | |

| B. Unresolved at end of current audit period | | | |
|---|--|--------------------------|---|
| Recommendation (no./year) | Non-Compliance/Controls Improvement (Rating/Licence obligation ref. and obligation/Non-compliance or inadequacy of control) | Auditor's Recommendation | Action taken by the licensee by end of audit period |
| | Nil | | |

4. Asset Management System Review

4.1 Description of Infrastructure

Aqua Ferre (Mucnea) Pty Ltd ('Mucnea Water') has a Water Services Licence, issued by the Economic Regulation Authority ('ERA') under the *Water Services Act 2012* ('Act'), for the provision of potable water supply in the estates of Mucnea, located in the Shire of Chittering.

Mucnea Water has developed a potable water treatment scheme in collaboration with two land developers, Riverside and Harvis. The Riverside Development is located 8 kilometres north east of the Mucnea town site and 56 kilometres north of the Perth central business district and involves the creation of approximately 238 residential allotments in progressive stages. The Harvis development involves the creation of approximately 30 industrial/commercial lots in the first stage of development.

The Water Treatment Plan (WTP) was constructed onsite and commenced operation in May 2021. Water is extracted from an onsite bore and processed through separate filtration, pumping stations and pipelines to the residential estate and the industrial/commercial estate. There were 23 connected properties at 30 June 2021.

This audit and review covers the period from commencement of the licence on 25 February 2020 to 28 February 2022.

The audit and review approach is based on the compliance obligations set out in the Licence, applicable legislation, regulatory guidelines (Water Compliance Reporting Manual 2021 and previous versions May 2020 and May 2018) and the 2019 Audit and Review Guidelines: Water Licences.

4.2 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 were:

- Asset planning (high inherent risk); and
- Environmental analysis (high inherent risk).

This audit and review covers the period from commencement of the licence on 25 February 2020 to 28 February 2022.

4.3 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 require 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) requires minor improvements (taking into consideration the assets being managed). |
| C | Requires significant improvement | <ul style="list-style-type: none"> Process and policies are incomplete or require substantial improvement. Processes and policies do not document the required performance of the assets. Processes and policies are considerably out of date. The asset management information system(s) requires substantial improvement (taking into consideration the assets being managed). |
| D | Inadequate | <ul style="list-style-type: none"> Processes and policies are not documented. The asset management information system(s) is not fit for purpose (taking into consideration the assets 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 implemented. |
| 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 implemented. |
| 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. |

4.4 Summary of Asset Management System Effectiveness Ratings

The review's assessment of the asset management system process and policy definitions and their effectiveness, based on the ratings scale in Section 4.3, is shown in the table below.

Section 4.5 provides further details of the current rating results for each process in the asset management system.

Summary of Asset Management Performance Ratings

| Process and Policy Definition – Adequacy Rating | Performance Rating for Effectiveness Criteria | | | | | Total |
|--|---|-----------------------------|----------------------------------|---------------------------------|---------------------------|-----------|
| | Rating | 1 Performing effectively | 2 Opportunity for improvement | 3 Corrective action required | 4 Some action required | |
| | A -Adequately defined | 47 | - | - | - | 47 |
| | B – Requires some improvement | 1 | 5 | - | - | 6 |
| | C – Requires significant improvement | - | 5 | - | - | 5 |
| | D – Inadequate | - | - | - | - | - |
| | Total | 48 | 10 | - | - | 58 |

Asset Management System Performance Ratings

| ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA | Process and Policy 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 | | B | | | | 2 | | | |
| 1.1 Asset management plan covers the processes in this table. | ✓ | | | | ✓ | | | | |
| 1.2 Planning process and objectives reflect the needs of all stakeholders and are integrated with business planning. | ✓ | | | | ✓ | | | | |
| 1.3 Service levels are defined in the asset management plan. | ✓ | | | | ✓ | | | | |
| 1.4 Non-asset options (e.g. demand management) are considered. | ✓ | | | | ✓ | | | | |
| 1.5 Lifecycle costs of owning and operating assets are assessed. | | ✓ | | | | ✓ | | | |
| 1.6 Funding options are evaluated. | ✓ | | | | ✓ | | | | |
| 1.7 Costs are justified and cost drivers identified. | | ✓ | | | | ✓ | | | |
| 1.8 Likelihood and consequences of asset failure are predicted. | | ✓ | | | | ✓ | | | |
| 1.9 Asset management plan are regularly reviewed and updated. | ✓ | | | | ✓ | | | | |

| ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA | Process and Policy 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 |
| 2. Asset creation/ acquisition | | B | | | 1 | | | | |
| 2.1 Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions. | | ✓ | | | ✓ | | | | |
| 2.2 Evaluations include all life-cycle costs. | ✓ | | | | ✓ | | | | |
| 2.3 Projects reflect sound engineering and business decisions. | ✓ | | | | ✓ | | | | |
| 2.4 Commissioning tests are documented and completed. | ✓ | | | | ✓ | | | | |
| 2.5 Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood. | ✓ | | | | ✓ | | | | |
| 3. Asset disposal | A | | | | 1 | | | | |
| 3.1 Under-utilised and under-performing assets are identified as part of a regular systematic review process. | ✓ | | | | ✓ | | | | |
| 3.2 The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken. | ✓ | | | | ✓ | | | | |
| 3.3 Disposal alternatives are evaluated. | ✓ | | | | ✓ | | | | |
| 3.4 There is a replacement strategy for assets. | ✓ | | | | ✓ | | | | |
| 4. Environmental analysis | A | | | | 1 | | | | |
| 4.1 Opportunities and threats in the asset management system environment are assessed. | ✓ | | | | ✓ | | | | |
| 4.2 Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved. | ✓ | | | | ✓ | | | | |
| 4.3 Compliance with statutory and regulatory requirements. | ✓ | | | | ✓ | | | | |
| 4.4 Achievement of customer service levels. | ✓ | | | | ✓ | | | | |
| 5. Asset operations | | | C | | | 2 | | | |
| 5.1 Operational policies and procedures are documented and linked to service levels required. | | | ✓ | | | ✓ | | | |
| 5.2 Risk management is applied to prioritise operations tasks. | ✓ | | | | ✓ | | | | |

| ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA | Process and Policy 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 |
| 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. | | | ✓ | | | ✓ | | | |
| 5.4 Accounting data is documented for assets. | ✓ | | | | ✓ | | | | |
| 5.5 Operational costs are measured and monitored. | | | ✓ | | | ✓ | | | |
| 5.6 Staff resources are adequate and staff receive training commensurate with their responsibilities. | ✓ | | | | ✓ | | | | |
| 6. Asset maintenance | | | C | | | 2 | | | |
| 6.1 Maintenance policies and procedures are documented and linked to service levels required. | | | ✓ | | | ✓ | | | |
| 6.2 Regular inspections are undertaken of asset performance and condition. | ✓ | | | | ✓ | | | | |
| 6.3 Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule. | | | ✓ | | | ✓ | | | |
| 6.4 Failures are analysed and operational/maintenance plans adjusted where necessary. | ✓ | | | | ✓ | | | | |
| 6.5 Risk management is applied to prioritise maintenance tasks. | ✓ | | | | ✓ | | | | |
| 6.6 Maintenance costs are measured and monitored. | ✓ | | | | ✓ | | | | |
| 7. Asset Management Information System | A | | | | 1 | | | | |
| 7.1 Adequate system documentation for users and IT operators. | ✓ | | | | ✓ | | | | |
| 7.2 Input controls include appropriate verification and validation of data entered into the system. | ✓ | | | | ✓ | | | | |
| 7.3 Security access controls appear adequate, such as passwords. | ✓ | | | | ✓ | | | | |
| 7.4 Physical security access controls appear adequate. | ✓ | | | | ✓ | | | | |
| 7.5 Data backup procedures appear adequate and backups are tested. | ✓ | | | | ✓ | | | | |
| 7.6 Computations for licensee performance reporting are accurate. | ✓ | | | | ✓ | | | | |
| 7.7 Management reports appear adequate for the licensee to monitor licence obligations. | ✓ | | | | ✓ | | | | |

| ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA | Process and Policy 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 |
| 7.8 Adequate measures to protect asset management data from unauthorised access or theft by persons outside the organisation. | ✓ | | | | ✓ | | | | |
| 8. Risk management | | B | | | | 2 | | | |
| 8.1 Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system. | | ✓ | | | | ✓ | | | |
| 8.2 Risks are documented in a risk register and treatment plans are actioned and monitored. | ✓ | | | | ✓ | | | | |
| 8.3 The probability and consequences of asset failure are regularly assessed. | | ✓ | | | | ✓ | | | |
| 9. Contingency planning | A | | | | 1 | | | | |
| 9.1 Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks. | ✓ | | | | ✓ | | | | |
| 10. Financial planning | A | | | | 1 | | | | |
| 10.1 The financial plan states the financial objectives and identifies strategies and actions to achieve those. | ✓ | | | | ✓ | | | | |
| 10.2 The financial plan identifies the source of funds for capital expenditure and recurrent costs. | ✓ | | | | ✓ | | | | |
| 10.3 The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets). | ✓ | | | | ✓ | | | | |
| 10.4 The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period. | ✓ | | | | ✓ | | | | |
| 10.5 The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services. | ✓ | | | | ✓ | | | | |
| 10.6 Large variances in actual/budget income and expenses are identified and corrective action taken where necessary. | ✓ | | | | ✓ | | | | |
| 11. Capital expenditure planning | A | | | | 1 | | | | |
| 11.1 There is a capital expenditure plan covering works to be undertaken, actions proposed, responsibilities and dates. | ✓ | | | | ✓ | | | | |

| ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA | Process and Policy 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 |
| 11.2 The capital expenditure plan provides reasons for capital expenditure and timing of expenditure. | ✓ | | | | ✓ | | | | |
| 11.3 The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan. | ✓ | | | | ✓ | | | | |
| 11.4 There is an adequate process to ensure that the capital expenditure plan is regularly updated and implemented.. | ✓ | | | | ✓ | | | | |
| 12. Review of asset management system | A | | | | 1 | | | | |
| 12.1 A review process is in place to ensure that the asset management plan and the asset management system described in it remain current. | ✓ | | | | ✓ | | | | |
| 12.2 Independent reviews (e.g. internal audit) are performed of the asset management system. | ✓ | | | | ✓ | | | | |

4.5 Detailed Review Observations

| Item no. | Component and Effectiveness Criteria (refer criteria in Audit Guidelines) | Observations and results (including any potential improvements) | | |
|----------|---|--|----------|----------|
| 1 | ASSET PLANNING | | B | 2 |
| 1.1 | Asset management plan covers the processes in this table | <p>The reviewer was provided with the Aqua Ferre (Muceha) Pty Ltd Asset Management Plan (AMP) – Version 4 dated Sept 2020.</p> <p>The AMP is at an appropriate level for the water assets managed by Muceha Water. It addresses the components of Asset Planning, Asset Creation, Asset Disposal, Asset Operations, Asset Maintenance, Asset Management Information System, Risk Management, Contingency Planning, Financial & Capital Planning and Asset Management System review.</p> <p>Muceha Water advised the AMP has not been formally reviewed since operations commenced in May 2021. During this period GHD has been involved in managing plant commissioning and improving operations. A review of the AMP plan will be required to reflect these improvements.</p> <p>Asset Management Responsibilities by role are identified in section 1.6. Appendix 8 also outlines Group Accountabilities and Central Support for Asset Management Activities.</p> <p>During the course of the review, the following key roles referenced in the AMP provided input:</p> <ul style="list-style-type: none"> Principal Advisor Water with responsibility for the AMP. | | |
| 1.2 | Planning processes and objectives reflect the needs of all stakeholders and are integrated with business planning | <p>The AMP identifies the primary Muceha Water stakeholders as its water service customers, ERA, Department of Water and Environmental Regulation (DWER) and Department of Health (DOH). The land developers (Riverside and Harvis), employees and insurers are also included as stakeholders. The statement of strategic and corporate goals sets objectives to meet stakeholder requirements and business success.</p> | | |
| 1.3 | Service levels are defined in the asset management plan | <p>Service levels are defined in the plan in section 2.4 including:</p> <ul style="list-style-type: none"> Availability of service (pressure and flow ranges) Service interruption notification and response targets for planned and unplanned events Failure or complaint response time targets. <p>A separate MOU exists with DOH committing to compliance with the Australian Drinking Water Guidelines Framework Approach. An improvement to the AMP would be incorporating key asset related actions resulting from the MOU in the Plan.</p> | | |
| 1.4 | Non-asset options (e.g. demand management) are considered | <p>At this early stage of development of the scheme (only a small number of customers currently being supplied), the focus is on ensuring the operation of the Water Treatment Plant (WTP) is delivering customer demand and water quality requirements, as demand gradually grows. Non-asset options are not relevant at this stage but may be relevant to consider when demand growth triggers further investment to expand production and treatment. It is also noted that digital customer meters have been installed which allow remote download of customer</p> | | |

| Item no. | Component and Effectiveness Criteria (refer criteria in Audit Guidelines) | Observations and results (including any potential improvements) |
|----------|--|--|
| | | consumption data and the ability to interrogate consumption data. This provides the means to work with customers in the future on demand management and leak reduction programs. |
| 1.5 | Lifecycle costs of owning and operating assets are assessed | <p>Section 13.3 of the AMP (Capital Works and Funding) describes a future capital works and replacement program that has been developed by Muechea Water. This forecasts expenditure at \$0.2 million over the first 15 years and \$0.4 million over the first 25 years. The financial model provided for the first 15 years shows a line item in the cashflow sheet tallying \$204,257 over 15 years for reticulation and trunk replacements. It is not clear where replacement for the WTP equipment is forecast.</p> <p>The Asset Register spreadsheet for the WTP indicates expected asset lives of generally 10 years for pumps, valves and instruments and 25 years for the filters and tanks. Individual replacement cost values are not contained in the asset register. Section 4.5 of the AMP also lists some forecast asset renewals (and asset values). It is not clear how this relates to the information in the Asset Register. Operating and Maintenance (O&M) costs have been provided for in the cashflow forecast based on advice from the plant designer.</p> <p>In summary, while a lifecycle cost assessment is in place, an update is expected to be required to incorporate the experience of transitioning the scheme into operation. This would incorporate updated O&M costs and renewals planning.</p> |
| 1.6 | Funding options are evaluated | <p>Muechea Water have dealt with the financial challenge of the high up-front cost of establishing the infrastructure and the substantial lag in generating revenue from water sales. The AMP section 13.2 (Pricing) indicates Land Developer funding has been secured for construction of the treatment plant and funding of the water reticulation networks within the development areas. An upfront contribution has also been obtained from Harvis for the connecting pipeline from the WTP to the Harvis development area.</p> <p>Customer charges consist of a yearly service charge, a water use charge, a water service connection charge and a water infrastructure charge or headworks charge. Customers' water use charges are set based on a minimum consumption of 425kL per annum within the Riverside development and 500kL per annum at the Harvis development.</p> <p>Section 13.2 also describes an intention for customer charges to move in line with the Water Corporation's published charges in the future. However Muechea Water may look to adjust prices to the extent reasonably required if the financial forecasts indicate that costs or revenue will vary materially from the initial forecast.</p> <p>Table 16 from the AMP also shows consideration of seeking additional funding for new assets via State and Federal Grants and establishing loans.</p> |
| 1.7 | Costs are justified and cost drivers identified | <p>The understanding of costs is demonstrated in both the Financial Model (15 years forecast provided) and the Financial Year monthly budget. The budget shows a comparison of the current year total revenue and operating expenses to the previous year actuals.</p> <p>As the plant is still in its first year of operation (commencing May 2021), the treatment plant operation is still being bedded down. Additional operations attendance has been required in this first year to attend to issues such as fouling of the UV disinfection and optimise filter throughput to achieve target iron treatment levels. An engineering consultant has been engaged to assist with the process optimisation. Plumbing and electrical trade services have also been engaged but an arrangement with a water treatment service company is being explored to provide more</p> |

| Item no. | Component and Effectiveness Criteria (refer criteria in Audit Guidelines) | Observations and results (including any potential improvements) | | | |
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| | | <p>specialist equipment servicing as the treatment performance stabilises (and need for the engineering consultant diminishes).</p> <p>It is expected over the next year the plant operation will become more stable. This should enable cost drivers to be better understood and the budget able to be analysed to better understand cost drivers. Variances against budget should then be reported and brief documentation prepared to analyse variances and review forward budgets.</p> | | | |
| 1.8 | Likelihood and consequences of asset failure are predicted | <p>The risk assessment measures described in the AMP (Section 10.1) relate to environmental impact. It is recommended that the consequence table be expanded to incorporate other consequence measures such as public health and safety and financial impact to improve risks assessment of asset failures. These areas of risk are briefly acknowledged in the introduction to section 10 but do not appear to have been incorporated in the risk assessment framework.</p> <p>The risk assessment table provided (B9 Risk Assessment and Mitigation - Version 2 dated 26/2/2021) includes asset failure risks amongst other risks. The risk assessment table provided appears to have been used to inform the project design with a focus mainly on the production of suitable quality product water. It is recommended this be revised to consider the risks associated with the operations phase and the consequence assessment updated to reflect impacts such as health & safety (risk of illness), finance (cost of repair/claims), customer (interruption to service) and compliance. The mitigation measure described in the risk assessment table for disinfection plant failure mentions use of an ozone system which is not in place (its UV).</p> | | | |
| 1.9 | Asset management plan is regularly reviewed and updated | <p>The AMP includes a revision history table at section 15. The most recent review was September 2020 resulting in AMP Version 4. The AMP has not been revised since operation commenced in May 2021. Recommendations and improvement suggestions from this review will likely be some cause for update of the AMP.</p> | | | |
| 2 | ASSET CREATION/ ACQUISITION | Process Rating | B | Performance Rating | 2 |
| 2.1 | Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions. | <p>Section 5 of the AMP discusses Asset Creation and Acquisition. It refers to policies and procedures being in place to ensure an economic and efficient asset acquisition framework and to ensure projects are evaluated to ensure the most appropriate solution is chosen. Documented policies and procedures were not sighted. Given the major infrastructure for Muehea Water is complete, new Asset Creation is unlikely to be a focus of Muehea Water, apart from a treatment upgrade planned in approximately year 4. It is suggested that Muehea Water's principles or process for project evaluation and acquisition could be covered by an expansion of the discussion in section 5 to cover the key steps.</p> | | | |
| 2.2 | Evaluations include all life-cycle costs. | <p>The Financial Model provided demonstrates life-cycle costs have been considered in some detail for the existing infrastructure – incorporating upfront capital, staged upgrade, operations, maintenance and renewals expenditure.</p> | | | |

| Item no. | Component and Effectiveness Criteria (refer criteria in Audit Guidelines) | Observations and results (including any potential improvements) | | | |
|----------|---|---|----------|--------------------|----------|
| 2.3 | Projects reflect sound engineering and business decisions. | Design documents for the existing treatment plant were not reviewed. However at a site visit on 20 April 2022, the plant design and operation were discussed. Sound engineering and business decisions were demonstrated through selection of the treatment process, engagement of an engineering resource to undertake process optimisation to address iron treatment levels, achieve chlorine residual management through storage management and selection of reticulation sampling points, put practices in place for plant start-up to be supervised, identify remedies to UV lamp fouling, monitor treatment performance via SCADA and manage automatic plant shutdown on low chlorine residual. | | | |
| 2.4 | Commissioning tests are documented and completed. | A comprehensive record of commissioning for the WTP components was provided in a spreadsheet form. Pump duties, controller settings, dose rates, manufacturer/model numbers and equipment checks are recorded. Revision history is also incorporated to record changes to any settings. | | | |
| 2.5 | Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood. | Section 3 of the AMP lists regulatory requirements relating to the ERA, DoH and DWER (water and environment). Safety is not referenced although Appendices are referred which include a Work, Health and Safety Policy and a Job Safety Analysis. | | | |
| 3 | ASSET DISPOSAL | Process Rating | B | Performance Rating | 2 |
| 3.1 | Under-utilised and under-performing assets are identified as part of a regular systematic review process. | The AMP section 8 (Asset Disposal) provides an outline of Muchea Water's approach to asset disposal. With the assets still in their first year of operation, there have been no asset disposals to date. | | | |
| 3.2 | The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken. | This activity is briefly acknowledged in the AMP section 8 but there has been no opportunity to demonstrate this so far. | | | |
| 3.3 | Disposal alternatives are evaluated. | Some disposal alternatives are briefly noted in the AMP section 8 (transfer to another project, keep on stock, sold and recycled where possible). | | | |
| 3.4 | There is a replacement strategy for assets. | Section 4.5 of the AMP (Asset Renewal planning) sets anticipated asset lives, describes the planned frequency of condition assessments to determine maintenance or renewal/replacement requirements and Table 8 sets out a general approach to replacement strategy for various assets (run to fail, replace on performance drop off or condition assessment). At this stage the asset register has not been set up to record the results of condition assessment. This will be required once the condition assessment activity commences. | | | |

| Item no. | Component and Effectiveness Criteria (refer criteria in Audit Guidelines) | Observations and results (including any potential improvements) | | | |
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| | | Process Rating | A | Performance Rating | 1 |
| 4 | ENVIRONMENTAL ANALYSIS | | | | |
| 4.1 | Opportunities and threats in the system environment are assessed. | The AMP adequately sets out the overall system environment. The opportunities and threats are documented in the Risk Assessment and Mitigation Measures document. The risks include detailed risk assessments for categories of risk being ground water system, treatment plant, storage, reticulation and consumers. | | | |
| 4.2 | Performance standards (availability of service, capacity, continuity, emergency response, etc.) are measured and achieved. | Service levels are documented in the AMP, including availability of service, service interruptions and system failure or complaint. These are reviewed on a regular basis. Over the review period of 2 years, there has been 1 planned service interruption and 2 customer complaints re water quality which have been satisfactorily resolved. Muchea Water do at least weekly inspections and have remote monitoring of critical components. There are also contract plumbers and electricians available on call near the plant. | | | |
| 4.3 | Compliance with statutory and regulatory requirements. | Section 3 of the AMP lists regulatory requirements relating to the ERA, DoH and DWER (water and environment). Safety is not referenced although Appendices are referred which include a Work, Health and Safety Policy and a Job Safety Analysis. There is also a Compliance and Reporting Register with the ongoing regulatory obligations to ERA, DOH and DWER. | | | |
| 4.4 | Achievement of customer service levels. | Service levels are documented in the AMP, including availability of service, service interruptions and system failure or complaint. These are reviewed on a regular basis. Over the review period of 2 years, there has been 1 planned service interruption and 2 customer complaints re the water quality which have been satisfactorily resolved. This indicates that customer service levels are being achieved. | | | |
| 5 | ASSET OPERATIONS | | | | |
| | | Process Rating | C | Performance Rating | 2 |
| 5.1 | Operational policies and procedures are documented and linked to service levels required. | An Operations and Maintenance Manual (draft Revision B1 dated March 2022) was provided for the Water Treatment Plant (WTP). This includes description of intended operation and instructions for routine operator tasks and special procedures (e.g. filter backwash). Occupational Health and Safety Risks, Hazards and Actions are also provided for the operations and maintenance tasks. Tables of scheduled Operations and Maintenance (O&M) tasks with assigned frequency are provided. A record keeping system is required to provide evidence that the O&M activities are being completed as scheduled. A fortnightly operations report is also completed. This includes a list of items to visually check and provide comment, record chemicals inventory, and note meter readings and water quality results. Water sampling is undertaken both at the WTP and at sample points in the residential estate and commercial/industrial estate. Target values are provided alongside the actual results and variances reported. For the sample report provided dated 15 December 2021, both iron and chlorine water quality were levels outside the target range at the treatment plant. The iron concentration exceeded the aesthetic guideline limit at both reticulation sampling points, and the chlorine residual was below the target of 0.3mg/L at the residential estate sampling point. The reported noted E. coli sampling was undertaken and flushing of the reticulation system | | | |

| Item no. | Component and Effectiveness Criteria (refer criteria in Audit Guidelines) | Observations and results (including any potential improvements) |
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| | | <p>undertaken – both actions presumably undertaken in response to the low chlorine residual. The filter backwash may also have been undertaken in response to the iron levels. The report does not note how the iron and chlorine residuals responded after the flushing and backwash occurred. It is recommended that procedures be documented for responding to such events (high iron and low chlorine residual).</p> <p>A review of the January to March quarterly report to DoH shows 100% of the samples analysed for chlorine have achieved the required residual. However, the WTP still requires improvement to achieve the required iron levels (50% of samples analysed for iron exceeded the target level).</p> <p>Recommendation 1/2022</p> <p>a) <i>While the operations practices discussed and observed are providing reasonable assurance of providing required service levels, the documentation of these practices and procedures requires improvement. The frequency of O&M tasks in the draft O&M manual need to be finalised and a method of recording the activities put in place. Procedures to act on the observations made from the Fortnightly Operations Report need to be documented. Response protocols to observing a water quality issue, such as low chlorine need to be documented and the response actions recorded to demonstrate the issues are addressed.</i></p> |
| 5.2 | Risk management is applied to prioritise operations tasks. | Assigned tasks are described for every visit, weekly or monthly. The “every visit” tasks are the priority activities to ensure water quality meets requirements (e.g. chlorine levels are as per requirements and sand filters are backwashed if filter head loss is high). A review of the risk assessment now that the plant is in operation should provide a greater link between risk management and priority operations tasks as mitigation measures. |
| 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>The asset register is in the form of an Excel spreadsheet. Condition information and accounting data/replacement value is not included in the current asset register. As the assets are still in their first year of operation, the condition assessment program has not commenced.</p> <p>Recommendation 1/2022</p> <p>b) <i>The asset register needs to be updated to include information on assets’ condition assessment in future years</i></p> |
| 5.4 | Accounting data is documented for assets. | <p>The reviewer sighted the annual Financial Reports for 2019/20 and 2020/21 prepared by external accountants. This confirms that accounting data is documented in the financial system.</p> <p>However, the asset register does not include the cost of individual assets used for the construction of the WTP and pipelines, as all assets were acquired in August 2020 as part of a fixed price contract with an external party, so the cost of individual WTP components is not available. It would be useful for the asset register to include the replacement value or cost of any future additions.</p> |

| Item no. | Component and Effectiveness Criteria (refer criteria in Audit Guidelines) | Observations and results (including any potential improvements) | | | |
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| 5.5 | Operational costs are measured and monitored. | <p>An annual operating budget is prepared identifying monthly expenditure. There is evidence of comparison of the annual budget to the previous year's actuals. A brief description of the process to prepare the operations budget, measure and monitor the actuals should be incorporated into section 6 of the AMP (Asset Operations)</p> <p>Recommendation 1/2022</p> <p>c) <i>While an annual Operations and Maintenance budget is prepared, the AMP should be updated to include a description of the process used to prepare the operations budget and how actual expenditure is measured and monitored.</i></p> | | | |
| 5.6 | Staff resources are adequate and staff receive training commensurate with their responsibilities. | <p>Resourcing currently consists of plumbing, electrical, control system and engineering resources. A local person is also available to attend to the water treatment plant that is normally unmanned. Specialist resources have also been engaged when required to undertake servicing of equipment. Information was provided listing details of the above contract resources and their qualifications and experience.</p> <p>Discussion during the site visit indicated that once the treatment plant optimisation was complete the need for engineering resources should decline and a local water treatment company may be considered for regular servicing activities.</p> | | | |
| 6 | ASSET MAINTENANCE | Process Rating | C | Performance Rating | 2 |
| 6.1 | Maintenance policies and procedures are documented and linked to service levels required. | <p>Maintenance activities and frequency for the Water Treatment Plant are described in the Operations and Maintenance Manual (Revision B1 dated March 2022). The fortnightly operations report also provides input on observations requiring ad-hoc maintenance.</p> <p>It appears that the maintenance schedule in Section 6 is still in development. Some assets are not yet addressed in the maintenance schedule and the table of site checks refer to facilities that are not present at this site (e.g. Polymer Dosing, Lime System and DAF)</p> <p>Noting that the Water Treatment Plant O&M Manual provides an initial outline of planned maintenance, procedures are yet to be developed that describe how the annual maintenance plan is assembled.</p> <p>Recommendation 2/2022</p> <p>a) <i>A maintenance plan for the WTP assets needs to be finalised and a procedure documented to describe how the annual plan is assembled, including clarifying how inputs such as condition assessment, failures and fortnightly observations are incorporated.</i></p> | | | |
| 6.2 | Regular inspections are undertaken of asset performance and condition. | <p>The fortnightly operations report provides a basic checklist for observations about performance and condition. Procedures are yet to be developed that describe how these observations are acted on and feed into the maintenance planning activity. A plan for more detailed assessment of condition is also needed to deliver condition assessment against the detailed breakdown in the asset register and how this information will be used</p> | | | |

| Item no. | Component and Effectiveness Criteria (refer criteria in Audit Guidelines) | Observations and results (including any potential improvements) | | | |
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| | | to inform maintenance planning and budgets. This will also need to extend to include the assets outside of the WTP site. | | | |
| 6.3 | Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule. | <p>Maintenance plans are documented for the WTP in the O&M manual, however documentation to demonstrate completion does not yet exist. As discussed during the site visit, while the WTP is still going through an optimisation phase the plant is being well attended and more routine maintenance plans can be developed once the current phase is completed.</p> <p>Recommendation 2/2022</p> <p>b) <i>Once the maintenance plan is in place, a recording system needs to be established to verify the completion of planned and unplanned maintenance.</i></p> | | | |
| 6.4 | Failures are analysed and operational/maintenance plans adjusted where necessary. | In the future, it would be expected that asset or performance failures would be documented with an assessment and the response. In the first year of operation, adjustment of plant operation has been occurring to deliver the treated water specification. | | | |
| 6.5 | Risk management is applied to prioritise maintenance tasks. | The (draft) O&M plan section 6 includes a schedule of maintenance and frequency. Although not explicitly described in terms of risk, the frequency of tasks infers an incorporation of risk management (e.g. daily checks are scheduled for the chlorine and caustic dosing pumps). An update of the risk assessment for the WTP is expected to result in a more informed prioritisation of maintenance tasks. | | | |
| 6.6 | Maintenance costs are measured and monitored. | Maintenance is incorporated into the annual operating budget which identifies monthly expenditure. There is evidence of comparison of the annual budget to the previous year's actuals. A brief description of the process to prepare the maintenance budget, measure and monitor the actuals could be incorporated into section 7 of the AMP (Asset Maintenance). | | | |
| 7 | ASSET MANAGEMENT INFORMATION SYSTEM | | A | | 1 |
| 7.1 | Adequate system documentation for users and IT operators. | <p>The asset management system utilises a combination of related corporate systems, data and processes, as per the Asset Management Plan.</p> <p>These systems include:</p> <ul style="list-style-type: none"> • PLC control system with App on mobile devices. • Cloud based system (including MS Teams) • Asset Register (Excel). • Compliance and Reporting Register (Excel) • Commissioning Register (Excel) • Reporting for Operating Licence Performance and Compliance reports compilation. <p>The systems are documented within the system itself and for key functions in detailed operating procedures.</p> | | | |

| Item no. | Component and Effectiveness Criteria (refer criteria in Audit Guidelines) | Observations and results (including any potential improvements) | |
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| 7.2 | Input controls include appropriate verification and validation of data entered into the system. | Data accuracy is controlled by edit checks of data fields in the key system and checks by the user when entering manually completed work order requests and updates. Considered adequate. | |
| 7.3 | Logical security access controls appear adequate, such as passwords. | Access to all systems have restricted user access and require passwords that are regularly changed. | |
| 7.4 | Physical security access controls appear adequate. | The physical access restrictions to the Administration office in West Perth and the control centre at Muchea were confirmed during review of IT documentation and the field visit. All offsite assets (e.g. bores, pump stations, storage tanks, water treatment plant) are located in secure, fenced and locked compounds. Access to systems via Laptop PCs and mobile devices is controlled by passwords, which are required to be changed on a regular basis. | |
| 7.5 | Data backup procedures appear adequate and backups are tested. | Data is continually backed up to cloud storage with a managed Information Technology (IT) service provider. There is also a physical back up of the key data systems used by Muchea Water to external hard drives. Backups are tested and data backup procedures are sound. | |
| 7.6 | Key computations related to licensee performance reporting are materially accurate. | From review of source data for the performance reporting, the calculations are considered to be accurate. | |
| 7.7 | Management reports appear adequate for the licensee to monitor licence obligations. | Service level data from the quarterly/annual drinking water quality reports and annual performance reports is tracked and reviewed on a fortnightly basis. This information is used in the development of the asset replacement strategy and the capital plans, and also in the ongoing review of maintenance plans. There is also a Compliance and Reporting Register to monitor the ongoing licence obligations for ERA, DEWR and DOH. Internal monthly management reports are used to track progress on actions/work and to monitor actual expenditure against budgets. | |
| 7.8 | Adequate measures to protect asset management data from unauthorised access or theft by persons outside the organisation. | Access to all systems have restricted user access and require passwords that are regularly changed. Data is continuously backed up to cloud storage. There is also a physical back up of the key data systems used by Muchea Water. Backups are tested and data backup procedures are sound. The risks and disaster recovery plans are documented in the IT Procedures document. | |
| 8 | RISK MANAGEMENT | | B |
| 8.1 | Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system. | Risk management policies are documented in the AMP and the Risk Assessment and Mitigation Measures document. These risk assessments have been used to develop and prioritise key operational tasks relative to the water supply systems. The (draft) O&M plan section 6 includes a schedule of maintenance and frequency. Although not explicitly described in terms of risk, the frequency of tasks infers an incorporation of risk management | |

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|-----------|---|--|----------|----------|
| | | (e.g. daily checks are scheduled for the chlorine and caustic dosing pumps). An update of the risk assessment for the WTP is expected to result in a more informed prioritisation of maintenance tasks. | | |
| 8.2 | Risks are documented in a risk register and treatment plans are actioned and monitored. | The risks are documented in the Risk Assessment and Mitigation Measures document. The risks include detailed risk assessments for categories of risk being ground water system, treatment plant, storage, reticulation and consumers. Treatment plans are included in the risk assessment and actioned via the construction of the WWTP, and the operating and maintenance procedures. | | |
| 8.3 | The probability and consequences of asset failure are regularly assessed. | <p>The risk assessment measures described in the AMP (Section 10.1) relate to environmental impact. It is recommended that the consequence table be expanded to incorporate other consequence measures such as public health and safety and financial impact to improve risks assessment of asset failures. These areas of risk are briefly acknowledged in the introduction to section 10 but do not appear to have been incorporated in the risk assessment framework.</p> <p>The risk assessment table provided (B9 Risk Assessment and Mitigation - Version 2 dated 26/2/2021) includes asset failure risks amongst other risks. The risk assessment table provided appears to have been used to inform the project design with a focus mainly on the production of suitable quality product water.</p> <p>The Risk Assessment and Mitigation document is due for review and could be revised to consider the risks associated with the operations phase and the consequence assessment updated to reflect impacts such as health & safety (risk of illness), finance (cost of repair/claims), customer (interruption to service) and compliance. Also, the mitigation measure described in the risk assessment table for disinfection plant failure mentions use of an ozone system which is not in place (its UV).</p> | | |
| 9 | CONTINGENCY PLANNING | | A | 1 |
| 9.1 | Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks. | <p>The AMP shows the predicted likelihood, consequence, and risk of various asset failures together with emergency management, incident management, communications and contingency plans (for possible failure events). As the WTP is in its first year of operation, the contingency plans have not been reviewed or tested. The Muchea Water Director advised that both the risk assessment and contingency plan will be reviewed and updated as required</p> <p>The Drinking Water Quality Management Plan also includes incident reporting and emergency response procedure and is to be tested at least annually. The Muchea Water Director advised that it has been agreed with DOH that being the first year of operation, it is planned to test contingency scenarios in the last quarter of 2021/22 (by 30 June 2022).</p> | | |
| 10 | FINANCIAL PLANNING | | A | 1 |
| 10.1 | The financial plan states the financial objectives and strategies and actions to achieve the objectives. | An overview of Muchea Water's financial planning processes is included in the AMP, including objectives, strategies and actions to achieve these objectives. | | |

| Item no. | Component and Effectiveness Criteria (refer criteria in Audit Guidelines) | Observations and results (including any potential improvements) |
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| 10.2 | The financial plan identifies the source of funds for capital expenditure and recurrent costs. | Section 13.3 of the AMP (Capital Works and Funding) describes a future capital works and replacement program that has been developed by Muchea Water. This forecasts expenditure at \$0.2 million over the first 15 years and \$0.4 million over the first 25 years. The AMP documents the source of funds for capital expenditure as being developer charges, State and Federal grants and water charges. Recurrent costs are to be funded through water charges to customers and in the initial years by loan funding from Muchea Water. |
| 10.3 | The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets). | The AMP and the Financial Model show the operating income and expenditure and financial position on an annual basis to 2034. There is also a detailed Budget for 2021/22 |
| 10.4 | The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period. | A detailed Financial Model has been prepared that shows annual income and expenditure to 2034. The ongoing costs are borne through water supply charges to customers and the expected growth in lots sold by the developers. Charges are forecast to increase in line with increases in Water Corporation charges to their customers. Muchea Water may look to adjust prices to the extent reasonably required if the financial forecasts indicate that costs or revenue will vary materially from the initial forecast. |
| 10.5 | The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services. | The Financial Model provided demonstrates life-cycle costs have been considered in some detail for the existing infrastructure – incorporating upfront capital, staged upgrade, operations, maintenance and renewals expenditure. |
| 10.6 | Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary. | An annual operating budget is prepared identifying monthly expenditure. There is evidence of comparison of the annual budget to the previous year's actuals. |
| 11 | CAPITAL EXPENDITURE PLANNING | A |
| 11.1 | There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates. | Section 4.5 of the AMP (Asset Renewal planning) sets anticipated asset lives, describes the planned frequency of condition assessments to determine maintenance or renewal/replacement requirements and Table 8 sets out a general approach to replacement strategy for various assets (run to fail, replace on performance drop off or condition assessment). |
| 11.2 | The plan provides reasons for capital expenditure and timing of expenditure. | Muchea Water have dealt with the financial challenge of the high up-front cost of establishing the infrastructure and the substantial lag in generating revenue from water sales. The AMP section 13.2 (Pricing) indicates Land Developer funding has been secured for construction of the treatment plant and funding of the water reticulation |

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| | | <p>networks within the development areas. An upfront contribution has also been obtained from Harvis for the connecting pipeline from the WTP to the Harvis development area.</p> <p>Section 13.2 also describes an intention for customer charges to move in line with the Water Corporation's published charges in the future. However, Muehea Water may look to adjust prices to the extent reasonably required if the financial forecasts indicate that costs or revenue will vary materially from the initial forecast.</p> <p>Table 16 from the AMP also shows consideration of seeking additional funding for new assets via State and Federal Grants and establishing loans.</p> | | | |
| 11.3 | The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan. | The reviewer confirmed the Capital Plan is based on review of the condition of the assets and the estimated life of the assets as recorded in the Asset Register. The Financial Model includes the expected capital expenditure to 2034. | | | |
| 11.4 | There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned. | <p>The AMP includes review and update as required or if major changes occur.</p> <p>The capital expenditure planning process is considered adequate for the water assets.</p> | | | |
| 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. | <p>The AMP includes a revision history table at section 15. The most recent review was September 2020 resulting in AMP Version 4. The AMP has not been revised since operation commenced in May 2021.</p> <p>Recommendations and improvement suggestions from this review will likely be some cause for update of the AMP. The requirement to complete reviews is documented in the Asset Management Plan (section 13.6) and the Compliance and Reporting Register.</p> | | | |
| 12.2 | Independent reviews (e.g. internal audit) are performed of the asset management system. | <p>Independent reviews of specific elements of the water activities have been conducted during the review period by external contractors as required.</p> <p>An independent review is also performed (by the ERA appointed auditors) every 24 months as required by the licence or longer period as specified by the ERA.</p> | | | |

4.6 Review Recommendations

Table of Current Review Asset System Deficiencies and Recommendations

| A. Resolved during 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 review period |
| | Nil | | |

| B. Unresolved during 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 |
| 1/2022 | <p>Asset Operations</p> <p><i>Operational policies and procedures are documented and linked to service levels required.</i></p> <p><i>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.</i></p> <p><i>Operational costs are measured and monitored.</i></p> <p>An Operations and Maintenance Manual (draft Revision B1 dated March 2022) was provided for the Water Treatment Plant (WTP). This includes description of intended operation and instructions for routine operator tasks and special procedures (e.g. filter backwash). Occupational Health and Safety Risks, Hazards and Actions are also provided for the operations and maintenance tasks. Tables of scheduled Operations and Maintenance (O&M) tasks with assigned frequency are provided. A</p> | <p>a) While the operations practices discussed and observed are providing reasonable assurance of providing required service levels, the documentation of these practices and procedures requires improvement. The frequency of O&M tasks in the draft O&M manual need to be finalised and a method of recording the activities put in place. Procedures to act on the observations made from the Fortnightly Operations Report need to be documented. Response protocols to observing a water quality issue, such as low chlorine need to be documented and the response actions recorded to demonstrate the issues are addressed.</p> | Nil |

| B. Unresolved during 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 |
| | <p>record keeping system is required to provide evidence that the O&M activities are being completed as scheduled.</p> <p>The asset register is in the form of an Excel spreadsheet. Condition information and accounting data/replacement value is not included in the current asset register. As the assets are still in their first year of operation, the condition assessment program has not commenced.</p> <p>An annual operating budget is prepared identifying monthly expenditure. There is evidence of comparison of the annual budget to the previous year's actuals. A brief description of the process to prepare the operations budget, measure and monitor the actuals should be incorporated into section 6 of the AMP (Asset Operations).</p> | <p>b) The asset register needs to be updated to include information on assets' condition assessment in future years.</p> <p>c) While an annual Operations and Maintenance budget is prepared, the AMP should be updated to include a description of the process used to prepare the operations budget and how actual expenditure is measured and monitored.</p> | |
| 2/2022 | <p>Asset Maintenance</p> <p><i>Maintenance policies and procedures are documented and linked to service levels required.</i></p> <p><i>Regular inspections are undertaken of asset performance and condition.</i></p> <p><i>Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.</i></p> <p>Maintenance activities and frequency for the Water Treatment Plant are described in the Operations and Maintenance Manual (Revision B1 dated March 2022). The fortnightly operations report also provides input on observations requiring ad-hoc maintenance.</p> <p>It appears that the maintenance schedule in Section 6 is still in development. Some assets are not yet addressed in the maintenance schedule and the table of site checks refer to facilities that are not present at this site (e.g. Polymer Dosing, Lime System and DAF). Procedures are yet to be developed that describe how the annual maintenance plan is assembled.</p> <p>The fortnightly operations report provides a basic checklist for observations about performance and condition. Procedures are yet to be developed that describe how these observations are acted on and feed into the maintenance planning activity. A plan for more detailed assessment of condition is also needed to deliver condition assessment</p> | <p>a) A maintenance plan for the WTP assets needs to be finalised and a procedure documented to describe how the annual plan is assembled, including clarifying how inputs such as condition assessment, failures and fortnightly observations are incorporated.</p> <p>b) Once the maintenance plan is in place, a recording system needs to be established to verify the completion of planned and unplanned maintenance.</p> | Nil |

| B. Unresolved during 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 |
| | <p>against the detailed breakdown in the asset register and how this information will be used to inform maintenance planning and budgets. This will also need to extend to include the assets outside of the WTP site.</p> <p>Maintenance plans are documented for the WTP in the O&M manual. However, documentation to demonstrate completion does not yet exist. As discussed during the site visit, while the WTP is still going through an optimisation phase the plant is being well attended and more routine maintenance plans can be developed once the current phase is completed.</p> | | |

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.

Audit and Review Planning

- Conduct an initial meeting with the ERA to confirm the audit/review approach and timing for the audit and review (*not required*).
- Contact the licensee to gain an understanding of the business, relevant management plans and systems that may affect the risk assessment for planning purposes (*completed*).
- Prepare a risk assessment including 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 ERA for review and approval.
- Send a **Pre-Visit Checklist** of information and documentation to the licensee to enable staff to prepare for the visit (and where possible, send us information prior to the site visit).

Fieldwork

- Undertake a visit to the licensee and 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. **The on-site visit will include our Senior Engineer.**
- Obtain copies of the latest asset management plans, performance reporting statistics and relevant correspondence between the licensee and the ERA for the audit period.
- The audit steps for the **Operational Audit** will include:
 - **analysis of documented procedures** to assess whether they are consistent with regulatory requirements or arrangements under the licence;
 - **review of 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, cyber security 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.
- The activities in the **Asset Management System Review** will include:
 - analyse the documented procedures and processes for the planning, construction, operation and maintenance of assets to assess whether they are consistent with regulatory requirements under the licence;
 - interview key personnel to assess whether they understand and comply with the documented processes and procedures;
 - physically inspect the key assets and infrastructure; and
 - assess the effectiveness of the processes and system in place.

Audit and Review Reporting

- Prior to the conclusion of the visit, 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 ERA 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 ERA for review and feedback prior to finalising the report.
- Issue the final report to the ERA.
- The ERA will arrange responses to the proposed actions in the Post Audit Implementation Plan.

A2. Key Documents Reviewed

Regulatory Documents and Reports

- Water Services Act 2012
- Water Services Code of Conduct (Customer Service Standards) 2018
- Water Services Code of Practice (Family Violence) 2020
- Water Services Regulations 2013
- 2019 Audit and Review Guidelines: Water Licences
- Water Compliance Reporting Manual – May 2018
- Water Compliance Reporting Manual – May 2020
- Water Compliance Reporting Manual – March 2021
- Water Services Operating Licence WL51 – Version 1 (from 25 February 2020 to 30 April 2020, Version 2 (from 1 May 2020 to 27 October 2020) and Version 3 (from 28 October 2020 to current).
- Map of Licence Operating Area OWR-OA-317- A
- Compliance report to ERA for 2020/21 (and evidence of receipt by ERA).
- Performance reports to ERA for 2020/21 (and evidence of receipt by ERA).
- Performance reporting datasheets for 2020/21.
- Water, Sewerage and Irrigation Licence Performance Reporting Handbook – May 2019.
- Memorandum of Understanding between the Department of Health (WA) and Muecha Water for Drinking Water
- Energy & Water Ombudsman membership
- Relevant correspondence between the Licensee and the ERA, Department of Environment and Department of Health (as applicable).

Operational Audit

- Annual Reports for 2019/20 and 2020/21
- Relevant correspondence between the Licensee and the ERA
- Customer Service Charter
- Review of Billing Procedure
- Financial Hardship Policy
- Family Violence Policy
- Record Retention Policy
- Compliance and Reporting Register
- Customer Complaints Reporting Register and complaint records for the period from 25 February 2020 to 28 February 2022
- Planned outage notification example
- Standard Water Supply Customer Contract
- Muchea Water website
- Preserved Supply Register
- Sample of water invoices to customers
- Energy and Water Ombudsman invoice 2020/21

Asset Management System Review

- Asset Management Plan
- Site plan.
- Drinking Water Quality Management Plan
- Asset Register
- Risk Assessment and Mitigation Register
- Financial Model
- Budget 2021/22
- Commissioning Master
- Financial Management report
- Maintenance Plan
- Operations and Maintenance Manual
- Fortnightly Operations Report example
- IT Procedures
- Quarterly Reports to DOH
- Contractor details.

A3. Key Contacts

The licensee's representatives participating in the audit were:

- Peter Fogarty – Chairperson
- Mark Giles, Director
- Kathleen Shackleton, Operations and Customer Support Manager
- Blair Shackleton, Consulting Engineer.

A4. Consultants

| NAME AND POSITION | BUDGET HOURS |
|--|---------------------|
| Geoff White - Director | 35 |
| Geoff Hughes – Principal Planning Engineer | 25 |
| TOTAL | 60 |

END OF REPORT