



Quantum
Assurance

Shire of Dumbleyung
Water Services Operating Licence
(Sewerage and Non-Potable Water)

Operational Audit and
Asset Management
System Review

Final Report

July 2012

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Executive Summary

The Shire of Dumbleyung has a Water Services Operating Licence, issued by the Economic Regulation Authority (the Authority) under the Water Services Licensing Act 1995 (WA), for the provision of sewerage and non-potable water supplies in the operating area that is centred on the town of Dumbleyung.

The Dumbleyung sewerage scheme was originally constructed in 1969 and upgraded in 1985 with the installation of the secondary waste stabilisation pond. The sewerage scheme is operated by the Shire of Dumbleyung and consists of a gravity reticulation system, two effluent pump stations, a treatment plant and an effluent re-use scheme. The scheme provides sewerage services to the town's population of approximately 230 people.

This Operational Audit/Asset Management System Review has been conducted in order to assess the licensee's level of compliance with the conditions of its licence and the effectiveness of its asset management system.

The audit covered the period from 1st December 2008 to 30th November 2011 inclusive.

OPERATIONAL AUDIT

Through the execution of the Audit Plan and assessment and testing of the control environment, the information system, control procedures and compliance attitude, the audit team members have gained reasonable assurance that the Shire of Dumbleyung has complied with its Water Services Operating Licence performance and quality standards and obligations during the audit period 1st December 2008 to 30th November 2011 with the exception of several minor non-compliances as follows:

- late advice to the Authority of a change to the asset management system (implementation of a new Asset Management Information System was not advised within 10 business days);
- not providing the 2010 and 2011 Compliance Reports to the Authority by the due date (also the previous 2009 Operational Audit and Asset Management Review report); and
- in 2008/09 the Customer Service Charter was not displayed in the Shire offices (although it was advised in other ways).

The audit reviewed the action taken on previous audit recommendations in the previous audit report dated August 2009 and confirmed that the four recommendations had been implemented.

The audit noted the following opportunities for further improvements:

- ensure that compliance reports and other information is provided to the Authority by the due dates;
- update the Compliance Schedule to include the due dates for asset management reviews/operational audits and advise to the Authority of changes to the asset management system; and
- update the Asset Management Plan to notify the Authority of any changes to the asset management system within 10 business days.

The audit confirmed the Shire of Dumbleyung has complied with its information reporting obligations for the period 1st July 2008 to 30th June 2011 apart from the exceptions noted above.

Overall, there is a very good control environment evident to ensure that the licence obligations are met.

ASSET MANAGEMENT SYSTEM REVIEW

The review of the Asset Management System has shown that the processes are well defined and that Shire staff are familiar with the requirements of the system and apply them in the day to day operations and maintenance of the system.

The review confirmed that all 14 recommendations in the previous review report dated August 2009 had been implemented. In particular, the Asset Management Plan has been revised and a new Asset Management Information System has been implemented.

The following new issues were noted:

- There are no detailed contingency plans for failure of assets or risk events such as overflow of the ponds; and no evidence of testing; and
- The existing specified area rates charged for the scheme are insufficient to recover the operating and maintenance costs of the scheme as estimated in the Asset Management Plan; also the transfers to the sewerage reserve for capital replacements may be insufficient to cover the estimated replacement cost.

The review recommended that the Shire:

- Develops detailed contingency plans and reviews/tests these on an annual basis;
- Gives further consideration to recovering the full cost of operating, maintaining and replacing assets of the sewerage scheme; and
- A minor improvement is to include a summary of changes in the document history in the Asset Management Plan.

The key components of the infrastructure including the pump stations and treatment ponds were inspected and found to be well-maintained and in excellent condition.

Overall, the asset management system is considered appropriate and adequate for the Shire's operations.

POST AUDIT IMPLEMENTATION PLAN

The Post-Audit Implementation Plan in Appendix A provides a summary of the issues and recommendations from the Operational Audit and asset management system review with management responses from the Shire of Dumbleyung.

The Post Audit Implementation Plan has been developed by the audit team in consultation with the licensee and has been approved by the licensee. The Shire has agreed to implement the recommended actions.

Audit Opinion

Report on the Operational Audit of the Water Services Operating Licence

We have audited the compliance of the Shire of Dumbleyung with the procedures and controls over the performance and quality standards and licence obligations of the Water Services Operating Licence for the period 1st December 2008 to 30th November 2011 as measured by the Economic Regulation Authority's ('the Authority's') Water Compliance Reporting Manual, May 2011.

Respective Responsibilities

The Shire of Dumbleyung is responsible for compliance with the procedures and controls over the performance and quality standards and obligations of the Water Services Operating Licence. Our responsibility is to provide reasonable assurance and express a conclusion on compliance with the performance and quality standards and obligations of the Water Services Operating Licence, in all material respects.

Our audit has been conducted in accordance with applicable Standards on Assurance Engagements (ASAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and 3100 "Compliance Engagements".

Our audit procedures have been included in Section 1 of this report and have been undertaken to form a conclusion as to whether the Shire of Dumbleyung has complied in all material respects, with the procedures and controls over the performance and quality standards and licence obligations of the Water Services Operating Licence for the period 1st December 2008 to 30th November 2011 as measured by the Authority's Water Compliance Reporting Manual, May 2011.

Limitations

This report was prepared for distribution to the Shire of Dumbleyung and the Authority for the purpose of fulfilling the Shire's reporting obligations under the Water Services Operating Licence. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Shire and the Authority, 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 performance and quality standards and licence obligations of the Water Services Operating Licence, since we do not examine all evidence and every transaction. The audit and review conclusions expressed in this report have been formed on this basis.

Auditor's Qualified Opinion

In our opinion, the Shire of Dumbleyung has complied, in all material respects, with the performance and quality standards and obligations of the Water Services Operating Licence for the period from 1st December 2008 to 30th November 2011. There were several minor non-compliance as follows:

- late advice to the Authority of a change to the asset management system (implementation of a new Asset Management Information System was not advised within 10 business days);
- not providing the 2010 and 2011 Compliance Reports to the Authority by the due date (also the previous 2009 Operational Audit and Asset Management Review report); and
- in 2008/09 the Customer Service Charter was not displayed in the Shire offices (although it was advised in other ways).

We confirm that the Authority's Audit Guidelines: Electricity, Gas and Water Licences (August 2010) have been complied with in the conduct of this audit and the preparation of the report, and that the audit findings reflect our professional opinion.

QUANTUM ASSURANCE



GEOFF WHITE PERTH, WA
DIRECTOR 30 JULY 2012

Shire of Dumbleyung
Water Services Operating Licence
(Sewerage and Non-Potable Water)

Operational Audit and
Asset Management
System Review
- Introduction

Final Report

July 2012

1. Background

The Shire of Dumbleyung has a Water Services Operating Licence, issued by the Economic Regulation Authority (the Authority) under the Water Services Licensing Act 1995 (WA), for the provision of sewerage and non-potable water supplies in the operating area that is centred on the town of Dumbleyung.

The Shire is required to comply with the terms and conditions of their licence, including applicable legislative provisions and performance reporting as set out in their licence and the Water Compliance Reporting Manual (May 2011).

The Dumbleyung sewerage scheme was originally constructed during 1969 and upgraded in 1985 with the installation of the secondary waste stabilisation pond. The sewerage scheme is operated by the Shire of Dumbleyung and consists of a gravity reticulation system, two effluent pump stations, a treatment plant and an effluent re-use scheme. The scheme provides sewerage services to the town's population of approximately 230 people.

The scheme collects and treats approximately 28,900m³ of residential and commercial effluent and re-uses treated and disinfected effluent on spray irrigation of the town's sports ovals. The scheme consists of 5.5 km of gravity mains and 0.772 km of pressure main. The Imhoff tank has a capacity of 203m³ and secondary and tertiary treatment ponds each have a capacity of 43,116m³.

This Operational Audit/Asset Management System Review has been conducted in order to assess the licensee's level of compliance with the conditions of its licence and the effectiveness of its asset management system.

Our audit approach was based on the compliance obligations set out in the licence, applicable legislation and the Audit Guidelines issued by the Authority in August 2010.

2. Methodology

2.1 Objectives and Scope

2.1.1 Operational Audit

The objective of the Operational Audit was to provide an assessment of the effectiveness of measures taken by the licensee to maintain the performance and quality standards referred to in the licence.

The audit applied a risk-based audit approach to focus on the systems and effectiveness of processes used to ensure compliance with the standards, outputs and outcomes required by the licence.

The scope of the audit covered the following:

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

The audit reviewed the status of the previous audit recommendations and also identified areas where improvement is required based on the current audit period.

2.1.2 Asset Management System Review

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

2.2 Audit Period and Timing

The audit covered the period 1st December 2008 to 30th November 2011 inclusive and was conducted in December 2011 to January 2012.

The previous audit covered the period 1st December 2005 to 30th November 2008 inclusive.

2.3 Licensee's Representatives Participating in the Audit

- Maurice Walsh – Environmental Health Officer (EHO)

2.4 Key Documents Examined

- Shire of Dumbleyung Water Services Operating Licence 16 version OL2 dated 15 May 2009
- Audit Report - Shire of Dumbleyung Water Licence Operational Audit and Asset Management Review dated August 2009
- Post Audit Implementation Plan - Shire of Dumbleyung Water Licence Operational Audit and Asset Management Review dated August 2009
- Shire of Dumbleyung Customer Service Charter for Wastewater Services (revised November 2009)
- Shire of Dumbleyung Annual Report for the year ending 30 June 2011
- Compliance Schedule
- Shire of Dumbleyung - Asset Management Plan Sewerage and effluent Re-use Scheme Assets March 2011
- Performance Reports to the Authority for the years ended 30 June 2009, 2010 and 2011
- Compliance Reports to the Authority for the years ended 30 June 2009, 2010 and 2011
- Correspondence between the Shire and the Authority
- Dumbleyung Operating Area (Sewerage and Non-potable water supply services) Plan No. OWR-OA-035
- Dumbleyung Asset Management Information System (Excel spreadsheets)
- Dumbleyung Asset Management Maintenance Programme 2010/11
- Dumbleyung Asset Management Maintenance Programme 2011/12
- Shire of Dumbleyung Municipal Budget 2011-12.

2.5 Operational Audit - Compliance Ratings

The Shire's compliance with the licence obligations was assessed using the following compliance ratings.

COMPLIANCE STATUS	RATING	DESCRIPTION OF COMPLIANCE
COMPLIANT	5	Compliant with no further action required to maintain compliance
COMPLIANT	4	Compliant apart from minor or immaterial recommendations to improve the strength of internal controls to maintain compliance
COMPLIANT	3	Compliant with major or material recommendations to improve the strength of internal controls to maintain compliance
NON-COMPLIANT	2	Does not meet minimum requirements
SIGNIFICANTLY NON-COMPLIANT	1	Significant weaknesses and/or serious action required
NOT APPLICABLE	N/A	Determined that the compliance obligation does not apply to the licensee's business operations
NOT RATED	N/R	No relevant activity took place during the audit period, therefore it is not possible to assess compliance

2.6 Asset Management System Review - Effectiveness Ratings

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

Asset management process and policy definition - Adequacy ratings

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

Asset management process - Performance ratings

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

2.7 Audit Team and Hours

NAME AND POSITION	HOURS
Geoff White – Director	10
Andrea Stefkova – Assistant Manager	25
Steve Park – Senior Engineer (David Wills and Associates)	10
TOTAL	45

Shire of Dumbleyung
Water Services Operating Licence
(Sewerage and Non-Potable Water)

Operational Audit –
Detailed Report

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3. Operational Audit

The preliminary risk assessment included in the Audit Plan was reviewed and updated in the course of the audit and a compliance rating using the scale in Section 2.5 was assigned to each obligation under the licence, as shown in Section 3.1. Section 3.2 provides details of the current status of key recommendations from the previous audit. Section 3.3 provides further details of the systems and the compliance assessment for each obligation.

3.1 Summary of Compliance Ratings

The audit assessment of the compliance ratings for each licence condition is shown below.

No.	Operating Licence Compliance Element	Operating Licence reference (Cl=clause, Sch=schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (Low, Medium, High)	Adequacy of existing controls (S=strong, M=moderate, W=weak)	Compliance Rating (1=significantly non-compliant, 2=non-compliant, 3=compliant, 4=compliant, 5=compliant, N/A=not applicable, N/R=not rated)							
							1	2	3	4	5	N/A	N/R	
WATER SERVICES LICENSING ACT 1995														
1	General duty to provide services	n/a	1	C	Low	Strong						✓		
2	Regulations prescribing standard of service	Cl. 19	3	B	High	Strong						✓		
3	Asset Management System	Cl. 17.1	2	C	Medium	Strong						✓		
4	Notify changes to Asset Management System	Cl. 17.2	1	C	Low	Moderate	✓							
5	Review of Asset Management System	Cl. 17.3	1	C	Low	Moderate	✓							
6	Operational Audit	Cl. 16.1	1	C	Low	Moderate	✓							
7	Comply with Performance Standards (emergency response, complaints, continuity and overflows)	Cl. 20.1	3	B	High	Strong						✓		
WATER COORDINATION REGULATIONS 1996														
8	Payment of fees	Cl. 4.1	1	C	Low	Strong							✓	
OTHER LICENCE CONDITIONS														
9	Customer complaints process	Cl. 6.1	2	B	Medium	Strong						✓		
10	N/A to local government	Sch.3, Cl. 3.1	N/A	N/A	N/A	N/A						✓		
11	Customer complaints resolution	Sch.3, Cl. 3.8	2	B	Medium	Strong							✓	
12	Staff trained to respond to complaints	Sch.3 Cl.3.2(b)	N/A	N/A	N/A	N/A						✓		
13	Staff authorised to make decisions on complaints	Sch.3 Cl.3.9(b)	1	C	Low	Strong						✓		
14	Complaints system	Sch.3 Cl.3.2(d)	2	B	Medium	Strong						✓		
15	N/A to local government	Sch.3 Cl.3.4	N/A	N/A	N/A	N/A						✓		
16	Option to refer complaint to Dept. of Water	Sch.3 Cl.3.10	2	B	Medium	Strong							✓	
17	Must co-operate with Dept. of Water	Sch.3 Cl.3.6	2	C	Medium	Strong							✓	
18	Provide details to Dept. of Water	Sch.3 Cl.3.7	2	C	Medium	Strong							✓	

¹ The number refers to the item reference in the Water Reporting Compliance Manual, ERA August 2011



No. 1	Operating Licence Compliance Element	Operating Licence reference (Cl.=clause, Sch.=schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (Low, Medium, High)	Adequacy of existing controls (S=strong, M=moderate, W=weak)	Compliance Rating (1=significantly non-compliant, 2=non-compliant, 3=compliant, 4=compliant, 5=compliant, N/A=not applicable, N/R=not rated)							
							1	2	3	4	5	N/A	N/R	
19	Customer Service Charter	Cl.7.1	1	C	Medium	Strong						✓		
20	Availability of Customer Service Charter	Sch.3 Cl. 2.5	2	B	Medium	Strong	✓							
21	Charter reviewed every 3 years	Sch.3 Cl. 2.6	2	C	Low	Strong						✓		
22	Services consistent with Charter	Sch.3 Cl. 2.7	2	C	Medium	Strong						✓		
23	Customer consultation process	Cl. 8	2	C	Medium	Strong						✓		
24	Customer Council or at least two other forums	Sch.3 Cl. 4.1	2	C	Medium	Strong								✓
25	Consult the Authority on type and extent of customer consultation	Sch.3 Cl. 4.2	2	C	Medium	Strong						✓		
26	If requested, establish other forums	Sch.3 Cl. 4.3	2	C	Medium	Strong								✓
27	<i>Not applicable (only applies to irrigation licences)</i>	Sch.3 Cl. 4.4	N/A	N/A	N/A	N/A						✓		
28	Customer consultation prior to major changes	Sch.3 Cl. 4.5	2	B	Medium	Strong								✓
29	Council public question time	Sch. 3 Cl. 4.6	2	B	Medium	Strong						✓		
30	Modified customer agreements	Sch. 3 Cl. 5.1	2	B	Medium	Strong								✓
31	Annual report of non-standard agreements	Sch. 3 Cl. 5.4	2	B	Medium	Strong								✓
32	Customer survey, if directed by Authority	Sch. 3 Cl. 6	2	C	Medium	Strong								✓
33 to 40	<i>Not applicable (only applies to potable water licences)</i>	Cl. 9	N/A	N/A	N/A	N/A							✓	
41	Compliance with accounting standards	Cl. 15.1	1	C	Medium	Strong						✓		
42	Compliance with Operational Audit Guidelines	Cl. 16.2	1	C	Medium	Strong						✓		
43	Initial notification of asset management system (AMS) on licence commencement	Cl. 17.1	2	C	Low	Strong						✓		
44	Notify Authority of changes to AMS within 10 business days	Cl. 17.2	1	C	Low	Moderate	✓							
45	Compliance with Asset Management Review guidelines	Cl. 17.4	2	B	Medium	Strong						✓		
46	Report on external administration or significant financial or technical changes	Cl. 18.1	3	C	High	Strong								✓
47	Provide any information requested by Authority	Cl. 21.1	1	C	Medium	Strong					✓			
48	Information reporting requirements	Cl. 21.2	2	B	Medium	Weak	✓							
49	Publish information directed by Authority	Cl. 22.2 - .4	2	B	Low	Strong								✓
-	Written conditions for connections	Sch.6 Cl. 2.1	2	B	Medium	Strong						✓		
-	Services available for connection	Sch.6 Cl. 2.2	2	B	Medium	Strong						✓		



[REDACTED]							1	2	3	4	5	6	7
-	Agreement to discontinue services	Sch 4 Cl. 2.3	3	4	Medium	Strong							

3.2 Previous Audit Recommendations

The status of the key recommendations in the previous audit report issued in August 2009 is summarised below.

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
1.1 (items 4, 43 & 44)	<p>Asset Management System</p> <p>The licensee must provide for and notify the Authority of its asset management system within 2 business days from the commencement date unless notified in writing by the Authority.</p> <p>The licensee must notify the Authority of any changes to its asset management system within 10 business days from the date of change.</p>	No record of advice to the Authority on the new Asset Management Plan (AMP).	1	Update the AMP and notify the Authority.	EHO 30 September 2010	Asset Management System Information (AMIS) installed and populated. AMP review completed.	COMPLETED
1.2 (item 3)	<p>Asset Management System</p> <p>The Licensee must have an Asset Management System in respect to the</p>	General requirements for maintaining and operating the system are documented in the Asset Management Plan (December 2007), however does not include or link to	3	Develop and implement manuals, policies and procedures for sewer system and include in AMP.	EHO 30 September 2010	AMIS Maintenance module complete and includes detailed maintenance plans for all assets.	COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post-Audit Action Plan	Action Taken	Status
1.3 (item 7)	<p>licensed activity.</p> <p>Service performance Standards The licensee must comply with the performance standards set out in Schedule 4.</p>	<p>maintenance and operational manuals.</p> <p>The Shire has not been able to document without flow metering on inflows to WWTP.</p>	3	<p>Install flow meters on the WWTP inlet, complete Schedule 5 (new Licence) compliance reporting and forward to the Authority annually.</p>	<p>EHO 30 June 2010</p>	<p>Installing a flow meter on the inlet to the WWTP is not practical. Alternate solution implemented is to record run hours of pump station and use flow conversion to record inflows.</p>	COMPLETED
1.4 (item 20)	<p>Customer Service Charter The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence.</p>	<p>Copies have not been available on request.</p> <p>The Charter is not displayed in the Shire reception area.</p> <p>Customers are not advised of the availability of the Charter.</p>	2	<p>Ensure the customer service charter is available at request, prominently displayed at reception and customers are advised of the availability of the charter at least once a year.</p>	<p>EHO 30 June 2010</p>	<p>Customers advised in rates notices. Copies of Customer Charter are available at reception area.</p>	COMPLETED

3.3 Audit Results and Recommendations

No.	Licence Condition	Obligation Under Condition	Description	Risk Type (1 = Major, 2 = Moderate, N/R = Not reportable)	Audit Priority (1 = highest, 5 = lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
DETAILED COMPLIANCE OBLIGATIONS							
LICENCE COMPLIANCE REQUIREMENTS – WATER SERVICES LICENSING ACT 1995							
1	Water Services Licensing Act Section 32(1)(a)	n/a	The licensee must provide the water service.	1	5	The audit confirmed that the Shire provides the water service.	5
2	Water Services Licensing Act Section 33	Clause 19	The Licensee must achieve prescribed standards as defined in the regulations.	2	2	The audit reviewed the Shire's Performance Reports for the years ended 30 June 2009, 2010 and 2011 and noted that the Shire complied with all performance standards.	5
3	Water Services Licensing Act Section 36(1)(a)	Clause 17.1	The Licensee must have an Asset Management System in respect to the licensed activity.	2	4	The audit confirmed that the Asset Management System in respect to the licensed activity is in place.	5
4	Water Services Licensing Act	Clause 17.2	The Licensee must notify the Authority of any changes to the Asset Management	2	5	The audit confirmed with the Shire's EHO that during the audit period, the Shire has made no material changes to the asset management system that would require notification to	2

² Number refers to the item reference in the Electricity Compliance Reporting Manual, ERA July 2010

No.	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
	Section 36(1)(b)		System.			<p>the Authority apart from the implementation of a new Asset Management Information System (AMIS) in December 2010. This change was notified to the Authority in June 2011 in a status report on the previous audit's Post Audit Implementation Plan rather than within 10 business days of the change and is therefore a non-compliance with this licence condition.</p> <p>Although, the Legislative Requirements section of the AMP refers to the requirement to notify any changes to the system to the Authority, the required timeframe of 10 business days is not specified.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> Update the Asset Management Plan - Monitoring and Review Procedures section for the requirement to notify the Authority of any changes to the asset management system within 10 business days. (Post Audit Implementation Plan item 1.2). 	
5	Water Services Licensing Act Section 36(1)(c)	Clause 17.3	The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an independent expert report, acceptable to the Authority, on the effectiveness of the Asset management System.	2	5	<p>The previous Asset Management System Review report due in May 2009 was not provided to the Authority until October 2009 due to some unusual circumstances beyond the control of the Shire. This was reported as a minor non-compliance in the Compliance Report to the Authority for 2008/09.</p> <p>The Asset Management System Review is now being undertaken.</p> <p>The Shire has developed and implemented the Compliance Schedule, however the Schedule does not include the Asset</p>	2

No	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
						<p>Management System Review due dates.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Note the required timeframe for the Operational Audit and Asset Management System Review in the Compliance Schedule to ensure regulatory timeframes are met. <p><i>(Post Audit Implementation Plan item 1.1)</i></p>	
6	Water Services Licensing Act Section 37(1)	Clause 16.1	The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an operational audit conducted by an independent expert, acceptable to the Authority.	2	5	<p>The previous Operational Audit report due in May 2009 was not provided to the Authority until October 2009 due to some unusual circumstances beyond the control of the Shire. This was reported as a minor non-compliance in the Compliance Report to the Authority for 2008/09.</p> <p>The Operational Audit is now being undertaken.</p> <p>The Shire has developed and implemented the Compliance Schedule, however the Schedule does not include the Operational Audit due dates.</p> <p>Refer recommendation in section 5 above.</p>	2
7	Water Services Licensing Act Section 38(2)	Clause 20.1	<p>The licensee must comply with the performance standards set out in Schedule 4.</p> <ul style="list-style-type: none"> Emergency telephone response system such that customers need only make one call and they are advised of the nature 	2	2	<p>The audit reviewed the Shire's Performance Reports for the years ended 30 June 2009, 2010 and 2011 and noted that the Shire complied with all performance standards.</p>	5

No.	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			<p>and timing of action within one hour (Target is 90% of calls).</p> <ul style="list-style-type: none"> 90% of complaints resolved within 15 business days. Fewer than 40 blockages per 100km of sewer main per year 90% of connected properties experience no sewerage overflows per year 				
LICENCE COMPLIANCE REQUIREMENTS – WATER COORDINATION REGULATION 1996							
8	Water Services Coordination Regulations Section 2	Clause 4.1	The licensee must pay the applicable fees in accordance with the regulations.	N/R	5	The licence expires on 29 April 2021. The application for renewal of the licence is to be accompanied by the prescribed fee.	N/R
LICENCE COMPLIANCE REQUIREMENTS – LICENCE CONDITIONS							
9	N/A	Clause 6.1	The licensee must establish a customer complaints process as set out in Schedule 3.	NR	4	The Customer Service Charter outlines the process in regards to enquiries, suggestions, complaints and disputes.	5

No.	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
10	N/A	Schedule 3 Clause 3.1	The licensee must resolve customer complaints within 15 business days of the receipt of complaint.	NR	N/A	The Shire of Dumbleyung is a Local Government Agency so this is not applicable.	N/A
11	N/A	Schedule 3 Clause 3.8	The licensee must resolve customer complaints within 15 business days of the receipt of complaint or for matters to be considered by a Local Government Council within 5 business days after the first ordinary Council meeting following the 15 business day period.	NR	4	The audit confirmed with the Shire's EHO that there were no sewerage related customer complaints received by the Shire over the audit period.	N/R
12	N/A	Schedule 3 Clause 3.2(b)	The licensee must provide appropriately trained staff to respond to complaints.	NR	N/A	Shire of Dumbleyung is a Local Government Agency so this is not applicable.	N/A
13	N/A	Schedule 3 Clause 3.9(b)	The licensee must provide one trained staff member who is authorised or has access to another officer who is authorised to make necessary decisions to respond to complaints.	NR	5	The Shire's CEO is authorised to make necessary decisions to settle the customer complaints or disputes. The Shire's staff have been provided with complaints resolution training through the OHS courses.	5
14	N/A	Schedule 3 Clause 3.2(d)	The licensee must provide an appropriate system to monitor and record the number, nature	NR	4	The Complaint Register has been developed and is kept at the front counter. The audit confirmed with the Shire's EHO that there were no	5

No	Licence Condition	Obligation Under Condition	Description	Risk Type (1=Major, 2=Moderate, N/R=Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			of and outcomes to complaints.			sewerage related customer complaints received by the Shire over the audit period.	
15	N/A	Schedule 3 Clause 3.4	The licensee must inform the customer of the option to refer a disputed complaint to the Department of Water.	NR	N/A	Shire of Dumbleyung is a Local Government Agency so this is not applicable.	N/A
16	N/A	Schedule 3 Clause 3.10	The licensee must inform the customer of the option to refer a disputed complaint to the Department of Water unless the complaint is a matter that relates to section 3.22 of the <i>Local Government Act 1995</i> .	NR	4	The audit confirmed with the Shire's EHO that there were no sewerage related customer complaints received by the Shire over the audit period. The Customer Service Charter outlines process in regards to enquiries, suggestions, complaints and disputes.	N/R
17	N/A	Schedule 3 Clause 3.6	The licensee must co-operate with the Department of Water's request for information concerning a disputed complaint.	NR	4	The audit confirmed with the Shire's EHO that there were no sewerage related customer complaints received by the Shire over the audit period. The audit confirmed with the Shire's EHO that during the audit period, there were no such requests received from the Department of Water.	N/R
18	N/A	Schedule 3 Clause 3.7	The licensee must, on request, provide complaints details to the Department of Water.	NR	4	The audit confirmed with the Shire's EHO that there were no sewerage related customer complaints received by the Shire over the audit period. The audit confirmed with the Shire's EHO that during the audit period, there were no such requests received from the Department of Water.	N/R

No.	Licence Condition	Obligation Under Condition	Description	Risk Type (1=Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
19	N/A	Clause 7.1	The licensee must establish a Customer Service Charter as set out in Schedule 3.	2	4	The revised Shire of Dumbleyung's Customer Service Charter was approved by the Authority on 23 November 2009.	5
20	N/A	Schedule 3 Clause 2.5	The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence.	2	3	<p>The 2008/09 Compliance Report to the Authority noted that the Customer Service Charter had not been displayed in the reception area of the Shire's offices. This has now been rectified.</p> <p>The audit confirmed through sighting that the Customer Service Charter is prominently displayed at the Shire's reception, and through discussion with the Shire's EHO that the charter is provided upon request and at no charge to customers.</p> <p>In addition, the audit confirmed that the Customer Service Charter is available to customers on the website.</p> <p>The Shire's EHO advised that the Shire send out a notification advising the availability of the Customer Service Charter to all ratepayers in conjunction with the Rate Notices each year. The audit confirmed this by sighting the information sent out to the customers with the latest Rate Notice.</p>	2
21	N/A	Schedule 3 Clause 2.6	The licensee must review its Customer Service Charter at least once in every three year period.	2	5	The previous charter was approved by the Authority on 23 November 2006. The charter was due for review by 31 July 2009. The Shire of Dumbleyung submitted the first draft of its charter to the Authority for approval on 27 July 2009 and the final version of its charter on 16 November 2009. The revised charter was approved by the Authority on 23 November	5

No.	Licence Condition	Obligation Under Condition	Description	Risk Type (1=Major, 2=Moderate, N/R=Not reportable)	Audit Priority (1=highest, 3=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
22	N/A	Schedule 3 Clause 2.7	The licensee must provide its services consistent with its Customer Service Charter.	2	4	2009. The audit confirmed that the Shire provide its services consistent with its Customer Service Charter. The charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to the Shire's customers.	5
23	N/A	Clause 8	The licensee must establish customer consultation processes as set out in Schedule 3.	NR	4	The audit confirmed with the Shire's EHO that an adequate customer consultation process has been established.	5
24	N/A	Schedule 3 Clause 4.1	The licensee may either establish a Customer Council or institute at least 2 of the following: establish a regular meeting; publish a newsletter or run other public forums, concerning the licensed activities.	NR	4	The audit confirmed with the Shire's EHO that the Shire hold annual meetings in the town to discuss community concerns and seek feedback on the Shire's services generally. Also, articles are placed in the local newspaper. The Shire also allows its customers to raise matters of concern regarding the sewerage system at public question time during the Dumbleyung Council meetings.	5
25	N/A	Schedule 3 Clause 4.2	The licensee must consult the Authority on the type and extent of consultation to be adopted by the licensee.	NR	4	The Shire's Customer Service Charter states that community involvement in the Shire's service planning and decision making processes will be sought through forums such as focus groups, customer surveys, and display at local functions. The Shire will use local media bulletins to advise customers of any system changes that may result in significant variation in its service levels. The revised Shire of Dumbleyung Customer Service Charter	5

No	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
26	N/A	Schedule 3 Clause 4.3	The licensee must, if at the request of the Authority, establish other forums for consultations, to enable community involvement in issues relevant to licence obligations.	NR	4	for Wastewater Services was approved by the Authority on 23 November 2009. The Shire has advised that it placed advertisements for three consecutive weeks in the local newspaper. The advertisements advised the public of the Shire's intention to review the charter and called for public submissions. No public submissions were received.	N/R
27	N/A	Schedule 3 Clause 4.4	The licensee must hold season opening and closing public meetings, and the agenda must cover at least season opening and closing conditions, tariffs and scheme operation.	NR	N/A	Not applicable.	N/A
28	N/A	Schedule 3 Clause 4.5	The licensee must prior to making a major change to the operation of a water service hold a public meeting and seek written submissions.	NR	4	The audit confirmed with the Shire's EHO that during the audit period, the Shire has made no significant changes to the operation of the water service.	N/R
29	N/A	Schedule 3 Clause 4.6	The licensee must allow customers to raise matters of	NR	4	The audit confirmed with the Shire's EHO that the Shire allows its customers to raise matters of concern regarding	5

No.	Licence Condition	Obligation Under Condition	Description	Risk Type (1=Major, 2=Moderate, N/R=Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			concern regarding Council public question time in accordance with the <i>Local Government Act 1995</i> .			the sewerage system at public question time during the Dumbleyung Council meetings.	
30	N/A	Schedule 3 Clause 5.1	The licensee may enter into an agreement with a customer to provide water services that may exclude, modify or restrict the terms of the licence.	NR	4	The audit confirmed with the Shire's EHO that no such agreements have been entered into over the audit period.	N/R
31	N/A	Schedule 3 Clause 5.4	The licensee must publish a report annually that includes the specified information.	NR	4	The audit confirmed with the Shire's EHO that no agreements that may exclude, modify or restrict the terms of the licence have been entered into over the audit period.	N/R
32	N/A	Schedule 3 Clause 6	The licensee must conduct a customer survey if directed by the Authority.	NR	4	The audit confirmed with the Shire's EHO that during the audit period, there were no such directions received from the Authority.	N/R
33 to 40	N/A	Clause 9	Memorandum of Understanding	2	N/A	Clause 9 is not applicable.	N/A
41	N/A	Clause 15.1	The licensee must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.	NR	4	Each year the Shire of Dumbleyung prepares a comprehensive Annual Report for the whole of the Shire, which is independently audited by a certified auditor. The audit sighted the Shire's Financial Report for the year ended 30 th June 2011, including an Independent Audit Report.	5
42	Water	Clause 16.2	The licensee must comply and	NR	4	The Shire's Audit Plan – Water Services Operating Licence –	5

No.	Licence Condition	Obligation Under Condition	Description	Risk Type (1=Major, 2=Moderate, N/R=Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
	Services Licensing Act Section 37		require the licensee's auditor to comply with the Authority's Standard Audit Guidelines, minimum requirements regarding appointment of the auditor, scope of audit, conduct of the audit and reporting of the audit.			Operational Audit and Asset Management System Review, dated 30 November 2011, stipulates compliance requirements on auditors.	
43	Water Services Licensing Act Section 36	Clause 17.1	The licensee must provide for and notify the Authority of its asset management system within 2 business days from the licence commencement date unless notified in writing by the Authority.	2	5	The licence commencement date was 14 June 2020. The Authority was notified of the Shire's asset management system back then.	5
44	Water Services Licensing Act Section 36	Clause 17.2	The licensee must notify the Authority of any changes to its asset management system within 10 business days from the date of change.	2	5	The audit confirmed with the Shire's EHO that during the audit period, the Shire has made no material changes to the asset management system that would require notification to the Authority apart from implementation of a new AMIS in December 2010. This change was notified to the Authority in June 2011 in a status report on the previous audit's Post Audit Implementation Plan rather than within 10 business days of the change and is therefore a non-compliance with this licence condition. The Compliance Schedule has been developed and implemented. However, the Schedule does not include the required timeframes for the notification of the asset management system changes to the Authority.	2

No	Licence Condition	Obligation Under Condition	Description	Risk Type (1=Major, 2=Moderate, N/R=Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
45	Water Services Licensing Act Section 36	Clause 17.4	The licensee must comply and require the licensee's expert to comply with the Authority's Standard Guidelines dealing with the asset management system review including, minimum requirements, regarding appointment of the expert reviewer, scope of review, conduct of the review and reporting of the outcomes of the review.	NR	4	<p>Although, the Legislative Requirements section of the AMP refers to the requirement to notify any changes to the system to the Authority, the required timeframe of 10 business days is not specified.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Update the Asset Management Plan - Monitoring and Review Procedures section for the requirement to notify the Authority of any changes to the asset management system within 10 business days. (<i>Post Audit Implementation Plan item 1.2</i>) ▪ Note the required timeframe for the notification of the asset management system changes to the Authority in the Compliance Schedule. (<i>Post Audit Implementation Plan item 1.1</i>) 	5

No	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
46	N/A	Clause 18.1	The licensee must report to the Authority if it is under external administration within 2 business days or significant change in its financial or technical circumstances within 10 business days.	2	5	No significant changes.	N/R
47	N/A	Clause 21.1	The licensee must provide any information the Authority may require in connection with its functions under the Act.	2	3	In addition to the reporting requirements under the Water Compliance Reporting Manual, the Shire provided an update of the Post-Audit Implementation Plan (PAIP) in respect of the 2008 performance audit and asset management system review of the Shire's water services operating licence to the Authority. The Authority acknowledged the receipt of the update of the 2008 PAIP in a letter to the Shire dated 5 th July 2011 and noted that the Shire has concluded all of the actions in the 2008 PAIP.	5
48	N/A	Clause 21.2	The licensee must comply with the information reporting requirements as set out in Schedule 5.	2	3	In accordance with the Water Compliance Reporting Manual May 2011, the Shire is required to submit to the Authority: <ul style="list-style-type: none"> • Annual performance reports no later than 31 July for the reporting year ending 30 June; and • Annual compliance reports by 31 August for the year ending 30 June. The audit reviewed the Shires Compliance and Performance Reports for the years ending 30 June 2009, 2010 and 2011 and relevant correspondence between the Shire and the Authority and noted following exception: <ul style="list-style-type: none"> • Compliance Report for the year ended 30 June 2010 	2

No	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
						<p>was submitted after the due date (within 2 months); and</p> <ul style="list-style-type: none"> Compliance Report for the year ended 30 June 2011 was submitted after the due date (within 2 months). <p>The Shire has developed and implemented the Compliance Schedule with the annual performance and compliance reporting due dates included in the schedule of events.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> The Shire should ensure that all future Compliance Reports are submitted to the Authority within the timeframes required. <p>(Post Audit Implementation Plan item 1.3)</p>	
49	N/A	Clause 22.2 and 22.4	The licensee must publish relevant information directed to do so by the Authority within the specified timeframes.	NR	5	The audit confirmed with the Shire's EHO that during the audit period, no such directions were received from the Authority.	N/R
-	N/A	Schedule 6 Clause 2.1	The licensee must set out in writing its conditions for connection and make it available to people enquiring or applying for connection.	NR	4	The audit confirmed that the Shire provide its services consistent with its Customer Service Charter. The charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to the Shire's customers.	5
-	N/A	Schedule 6 Clause 2.2	The licensee must ensure that its services are available for connection on any land in the Operating Area subject to compliance with the Shire's	NR	4	The audit confirmed with the Shire's EHO that the services are available for connection on any land in the Operating Area subject to compliance with the Shire's conditions. The audit confirmed that the Shire provide its services	5

No	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate) N/R= Not reportable	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
-	N/A	Schedule 6 Clause 2.3	conditions. The licensee may with the written agreement of the property owner discontinue a service where it is not commercially viable.	NR	4	consistent with its Customer Service Charter. The charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to the Shire's customers. The audit confirmed with the Shire's EHO that over the audit period there was no discontinuation of the service due to the service not being commercially viable.	N/R

3.4 Recommended Changes to the Licence

No changes to the licence are considered necessary.

3.5 Conclusion

Through the execution of the Audit Plan and assessment and testing of the control environment, the information system, control procedures and compliance attitude, the audit team members have gained reasonable assurance that the Shire of Dumbleyung has complied with its Water Services Operating Licence performance and quality standards and obligations during the audit period 1st December 2008 to 30th November 2011 with the exception of several minor non-compliances as follows:

- late advice to the Authority of a change to the asset management system (implementation of a new Asset Management Information System was not advised within 10 business days);
- not providing the 2010 and 2011 Compliance Reports to the Authority by the due date (also the previous 2009 Operational Audit and Asset Management Review report); and
- in 2008/09 the Customer Service Charter was not displayed in the Shire offices (although it was advised in other ways).

The audit reviewed the action taken on previous audit recommendations in the previous audit report dated August 2009 and confirmed that the 4 recommendations had been implemented.

The audit noted the following opportunities for further improvements:

- ensure that compliance reports and other information is provided to the Authority by the due dates;
- update the Compliance Schedule to include the due dates for asset management reviews/operational audits and advise to the Authority of changes to the asset management system; and
- update the Asset Management Plan to notify the Authority of any changes to the asset management system within 10 business days.

The audit confirmed the Shire of Dumbleyung has complied with its information reporting obligations for the period 1st July 2008 to 30th June 2011 apart from the exceptions noted above.

Overall, there is a very good control environment evident to ensure that the licence obligations are met.

The Post Audit Implementation Plan in Appendix A provides a summary of the issues and recommendations from the audit with responses from the Shire.

Shire of Dumbleyung
Water Services Operating Licence
(Sewerage and Non-Potable Water)

Asset Management
System Review –
Detailed Report

Final Report

June 2012

4. Asset Management System Review

The effectiveness of the Shire's asset management system was assessed using the asset management system process and policy definitions ratings and the performance ratings provided by the Authority in the Audit Guidelines.

This included 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 review has assessed and rated these key processes as shown in Section 4.1.

Section 4.2 provides details of the current status of recommendations from the previous review.

Section 4.3 provides further details of the systems and the effectiveness rating for each process in the asset management system.

4.1 Summary of Asset Management System Ratings

The audit assessment of the asset management system process and policy definitions and their effectiveness, based on the ratings scale in Section 2.6, is shown in the table below.

Section 4.3 provides further details of the rating for each process in the asset management system.

ASSET MANAGEMENT SYSTEM	Process and policy definition rating				Performance rating				
	Inadequate	Requires significant improvement	Requires some improvement	Adequately defined	Serious action required (4)	Corrective action required (3)	Opportunity for improvement (2)	Performing effectively (1)	Not Rated
Key Processes									
1. Asset planning				A				1	
2. Asset creation/ acquisition				A				1	
3. Asset disposal				A				1	
4. Environmental analysis				A				1	
5. Asset operations				A				1	
6. Asset maintenance				A				1	
7. Asset management information system				A				1	
8. Risk management				A				1	
9. Contingency planning		C				3			
10. Financial planning			B			3			
11. Capital expenditure planning				A		3			
12. Review of asset management system				A			2		

4.2 Previous Review Recommendations

The status of the key recommendations in the previous audit report issued in August 2009 is summarised below.

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit/Action Plan	Action Taken	Status
2.1	Asset Planning Lifecycle costs of owning and operating assets are assessed	Lifecycle management is summarised in Section 4 of the AMP, but not detailed to the asset level.	2	Identify and document lifecycle costs for all assets and include in AMP.	EHO 30 September 2010	AMP completed in March 2011	COMPLETED
2.2	Environmental Analysis Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved	Performance standards are set in Section 2 of the AMP, but not measured and evaluated in a systemic way.	2	Implement a measurement and monitoring systems to verify asset performance. Include in AMP.	EHO 30 September 2010	Included in revised AMP.	COMPLETED
2.3	Asset Operations Assets are documented in an Asset register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data.	Asset Register (Appendix D of the AMP) has required asset attributes for most assets. Limited information has been provided on the gravity and pressure mains pipe network.	3	Expand the asset attribute information in the asset register for the gravity and pressure mains pipe network.	EHO 30 September 2010	Included in AMIS Asset Register module.	COMPLETED
2.4	Asset Maintenance	Inspections are scheduled in Section	3	Implement a system (AMIS) for recording	EHO 30 September	Condition performance and	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	Regular inspections are undertaken of asset performance and condition.	4.2 of the AMP. Maintenance Worksheets (Appendix G) have not been completed to verify activities and tasks have been completed.		completion of inspections of asset performance and condition.	2010	assessment included in AMIS installed in December 2010.	
2.5	Asset Maintenance Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	Plans are included in Section 4.2 of the AMP. Maintenance Worksheets (Appendix G) have not been completed to verify activities and tasks have been completed.	3	Identify and document maintenance requirements (emergency, corrective and preventative) for assets and create and implement maintenance plans. Include in AMP.	EHO 30 September 2010	Included in AMIS Maintenance Plan Module installed in December 2010. Sighted 2001/11 and 2011/12 Maintenance Plans.	COMPLETED
2.6	Asset Management information System Adequate system documentation for users and system operators.	No AMIS in place, but performed informally.	0	Purchase/ develop Asset management software and roll over all asset data to one system.	EHO 30 September 2010	AMIS installed in December 2010.	COMPLETED
2.7	Asset Management information System Input controls include appropriate verification and validation of data entered into the system.	No AMIS in place, but performed informally.	0	Create data verification procedure for updating asset data in Asset Management software.	EHO 30 September 2010	Included in revised AMP.	COMPLETED
2.8	Asset Management	No AMIS in place.	0	Ensure Asset	EHO	Installed on Shire	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	Information System Logical security access controls appear adequate, such as passwords.			Management Information System can only be accessed by authorised persons.	30 September 2010	server with password protection.	
2.9	Asset Management Information System Physical security access controls appear adequate.	No AMIS in place.	0	Ensure adequate physical security access controls such as swipe cards are implemented.	EHO 30 September 2010	Shire offices have physical security.	COMPLETED
2.10	Asset Management Information System Data backup procedures appear adequate.	No AMIS in place.	0	Create and implement backup procedure for asset data.	EHO 30 September 2010	Included in daily backup of Shire servers.	COMPLETED
2.11	Asset Management Information System Key computations related to licensee performance reporting are materially accurate.	No AMIS in place.	0	Create and implement procedures for producing regular reports to monitor assets and link to licence obligations.	EHO 30 September 2010	AMIS installed.	COMPLETED
2.12	Asset Management Information System Management reports appear adequate for the licensee to monitor licence obligations.	Only annual Schedule 3 reporting.	1	Create and implement procedures for producing regular reports to monitor assets and link to licence obligations.	EHO 30 September 2010	AMIS installed.	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
2.13	<p>Capital Expenditure Planning</p> <p>There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.</p>	<p>Documentation in section 5.5 the AMP. Shire to revise and expand to provide actions, responsibilities and dates.</p>	4	<p>Expand the Capital Investment Plan and include responsibilities and dates in AMP.</p>	<p>EHO 30 September 2010</p>	<p>AMP revised. AMIS includes Capital Investment Plan.</p>	COMPLETED
2.14	<p>Review of Asset Management System</p> <p>A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.</p>	<p>The AMS is detailed in the AMP, albeit more about the assets than systems. While current for the audit period, the review process detailed in the AMP had not commenced.</p>	4	<p>Create management procedure to ensure system is reviewed regularly.</p>	<p>EHO 30 September 2010</p>	<p>Included in revised AMP.</p>	COMPLETED

4.3 Review Results and Recommendations

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
1	ASSET PLANNING	Process Rating ³ A Performance Rating ⁴ 1
1.1	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	The Shire of Dumbleyung Asset Management Plan – March 2011 (AMP) includes the following mission statement: “The mission of the Shire of Dumbleyung in providing this service is to provide cost effective wastewater collection, treatment and disposal services for the town of Dumbleyung, which meets community expectations for health and environmental management”. The Levels of Service requirements for customers are detailed in the Customer Service Charter. Additionally, the levels of service and performance parameters have been defined in the AMP.
1.2	Service levels are defined.	The Shire of Dumbleyung AMP – March 2011 was sighted. The goal, objective and level of service are stated in the AMP.
1.3	Non-asset options (e.g. demand management) are considered.	The assets are considered appropriate for the current levels of demand.
1.4	Lifecycle costs of owning and operating assets are assessed.	The life cycle costs have been budgeted for in the Annual Capital Investment Budget and the Annual Operations and Maintenance Budget. The Shire is in the process of building up sufficient reserves to ensure it can maintain and upgrade the sewerage scheme in the Dumbleyung townsite when required, however it concedes that there will not be enough reserve at current income levels and that it will need to seek additional grant funding to cover full costs.
1.5	Funding options are evaluated.	The Shire maintains a Sewerage Reserve to meet major capital upgrades/replacement of key infrastructure. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Dumbleyung Sewerage Scheme. The Shire charges annual rates that include expenditure on the sewerage scheme.

³ Process ratings: A=adequately defined, B=requires some improvement, C=requires significant improvement, D=inadequate.

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

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)				
1.6	Costs are justified and cost drivers identified.	The analysis assumes that assets will be replaced at the end of their standard economic life. The forecast lifecycle asset replacement program is included in the Annual Capital Investment Budget Excel spreadsheet. The plan also states operational and maintenance costs. Demand is stable with no new connections expected in the short term.				
1.7	Likelihood and consequences of asset failure are predicted.	The analysis assumes that assets will be replaced at the end of their standard economic life.				
1.8	Plans are regularly reviewed and updated.	The AMP is reviewed in April of each year in the development of the annual Shire budget for the following year.				
2	ASSET CREATION/ ACQUISITION	<table border="1" data-bbox="614 862 662 1908"> <tr> <td data-bbox="614 862 662 929">Process Rating</td> <td data-bbox="614 929 662 996">A</td> <td data-bbox="614 996 662 1064">Performance Rating</td> <td data-bbox="614 1064 662 1131">1</td> </tr> </table>	Process Rating	A	Performance Rating	1
Process Rating	A	Performance Rating	1			
2.1	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	No new assets are shown on the Capital Investment Budget. Only replacement of existing components as they reach the end of their life.				
2.2	Evaluations include all life-cycle costs.	The New Asset Creation Plan outlined in the AMP states that there are no new assets that have been identified and none are included in the Financial Management software module.				
2.3	Projects reflect sound engineering and business decisions.	No new assets are shown on the Capital Investment Budget.				
2.4	Commissioning tests are documented and completed.	No new assets acquired.				
2.5	Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	Section 2.3 of the AMP outlines the legislative, health and safety and environmental requirements. The audit confirmed that the EHO understands the obligations.				
3	ASSET DISPOSAL	<table border="1" data-bbox="1061 862 1109 1908"> <tr> <td data-bbox="1061 862 1109 929">Process Rating</td> <td data-bbox="1061 929 1109 996">A</td> <td data-bbox="1061 996 1109 1064">Performance Rating</td> <td data-bbox="1061 1064 1109 1131">1</td> </tr> </table>	Process Rating	A	Performance Rating	1
Process Rating	A	Performance Rating	1			
3.1	Under-utilised and under-performing assets are identified as part of a regular systematic review process.	This is a small sewerage system, and all assets are performing as intended. No disposals are planned.				
3.2	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	The system is meeting demand and working close to capacity. As such there are no plans to dispose of any major assets in the foreseeable future. Should asset condition assessment reveal under-performing assets or the service level change dramatically; an asset disposal plan will be required, to ensure that the process is correctly undertaken.				

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
3.3	Disposal alternatives are evaluated.	Assets at the end of their life will be replaced with a similar capacity and the old asset dumped or recycled for scrap as appropriate.
3.4	There is a replacement strategy for assets.	An asset renewal and replacement plan assumes replacing assets at the end of their effective life, if required. This is budgeted for in the Capital Works Schedule of the AMP. The Reserve Fund has been established to meet major capital upgrades/replacement of key infrastructure.
4	ENVIRONMENTAL ANALYSIS	Process Rating A Performance Rating 1
4.1	Opportunities and threats in the system environment are assessed.	Appendix E "Risk and SWOT Analysis" of the Shire's Customer Service Charter outlines the risks, strengths and weaknesses, opportunities and threats in regards to the Dumbleyung sewerage system.
4.2	Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved.	The levels of service and performance parameters are clearly defined in the AMP. They include availability, capacity, continuity, odour control, and emergency response. Annual Performance Report sighted for 2008/09, 2009/10 and 2010/11. Performance standards for the scheme are being met.
4.3	Compliance with statutory and regulatory requirements.	The Asset Management Plan identifies the following regulatory requirements: <ul style="list-style-type: none"> ▪ Water Services Licensing Act 1995; ▪ Local Government Act 1995; ▪ Environmental Protection Act 1986; ▪ Occupational Safety and Health Act 1984; and ▪ Occupational Safety and Health Regulations 1996. The AMP also requires compliance with the Water Services Licensing Act 1995 Licence Number IL/16 valid until 29 th April 2021. Compliance with the regulatory requirements is being monitored by the Shire's EHO and audited as required under the operating licence by the independent auditor.
4.4	Achievement of customer service levels.	Performance reports have been submitted for the past 3 years. No complaints have been received. Customer service levels are being achieved.
5	ASSET OPERATIONS	Process Rating A Performance Rating 1
5.1	Operational policies and procedures are documented and linked to service	The Asset Management Plan includes an overview of the operations of the system. The manufacturers' operating instructions/manuals are kept and used by the plumber and maintenance staff.

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)				
5.2	Risk management is applied to prioritise operations tasks.	The AMIS includes asset risk assessments for all components of the system within its spreadsheets. The AMP also incorporates emergency procedures on how to deal with those situations when they occur. Overall, the risk assessment for asset operations is very basic. The potential risks were identified based on many years of experience with the system and the Shire's staff awareness of what can go wrong with the system.				
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.	The current Asset Register includes details on: <ul style="list-style-type: none"> ▪ Asset Number; ▪ Description; ▪ Dimensions/ type; ▪ Construction materials/ model; ▪ Construction date; and ▪ Replacement Value for access chambers, pipes, treatment plant, pump station and effluent re-use. The assets' location is documented on the maps. The condition assessment for other assets is outlined in the separate Asset Condition and Performance spreadsheet. Accounting data is recorded in the Financial Management Information System (FMIS) maintained by the Shire.				
5.4	Operational costs are measured and monitored.	All asset expenditure is captured in the Shire's FMIS. The historical cost information for the assets has not been transferred to the Asset Register but is in the FMIS.				
5.5	Staff receive training commensurate with their responsibilities.	The AMP outlines the current human resources required to support the plan as follows: <ul style="list-style-type: none"> ▪ Works Manager ▪ EHO ▪ Administrative Assistant. The Dumbleyung wastewater scheme is a simple system, which requires a basic level of asset management to maintain it in an effective condition. Staff have received training from an external engineering firm on the asset management system when the AMP was revised in March 2011. Any further needs are identified on an annual basis as part of the Shire's procedures.				
6	ASSET MAINTENANCE	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">Process Rating</td> <td style="width: 33%; text-align: center;">A</td> <td style="width: 33%; text-align: center;">Performance Rating</td> <td style="width: 33%; text-align: center;">1</td> </tr> </table>	Process Rating	A	Performance Rating	1
Process Rating	A	Performance Rating	1			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)				
6.1	Maintenance policies and procedures are documented and linked to service levels required.	The Asset Management Plan includes a section on Maintenance Planning. This is effectively an overview of the maintenance practices.				
6.2	Regular inspections are undertaken of asset performance and condition.	Overall, the maintenance is geared towards preventative maintenance. This will ensure that the system continues to operate effectively and any deterioration in the condition of an asset is picked up in time to ensure proper planning of replacement or renewal.				
6.3	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	A comprehensive Routine Maintenance Plan has been prepared and included as Appendix C to the AMP.				
6.4	Failures are analysed and operational/maintenance plans adjusted where necessary.	Any asset failures are reviewed annually as part of the Shire's annual budget preparation and considered in the budgets and operational/maintenance plans.				
6.5	Risk management is applied to prioritise maintenance tasks.	The AMIS includes asset risk assessments for all components of the system within its spreadsheets. The AMP also incorporates emergency procedures on how to deal with those situations when they occur. Overall, the risk assessment for asset operations is very basic. The potential risks were identified based on many years of experience with the system and the Shire's staff awareness of what can go wrong with the system.				
6.6	Maintenance costs are measured and monitored.	Maintenance costs are tracked through the FMIS and actual/budget reporting each month.				
7	ASSET MANAGEMENT INFORMATION SYSTEM	<table border="1"> <thead> <tr> <th data-bbox="1007 1473 1082 1615">Process Rating</th> <th data-bbox="1007 1615 1082 1756">Performance Rating</th> </tr> </thead> <tbody> <tr> <td data-bbox="1007 1615 1082 1756">A</td> <td data-bbox="1007 1756 1082 1859">1</td> </tr> </tbody> </table>	Process Rating	Performance Rating	A	1
Process Rating	Performance Rating					
A	1					
7.1	Adequate system documentation for users and IT operators.	The asset system is managed via spreadsheets. These document the location of assets. The financial component of the system is managed by the Shire's financial officer through a system of paper and electronic programs. Procedures relating to account keeping, data security and back-up are outlined in general Shire procedures.				
7.2	Input controls include appropriate verification and validation of data entered into the system.	Excel spreadsheets are used and data is checked when input.				

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)						
7.3	Logical security access controls appear adequate, such as passwords.	The AMP and the accompanying Excel spreadsheets are saved on the server. There is a password access to the Shire's system and the EHO's PC which restricts access to authorised Shire officers.						
7.4	Physical security access controls appear adequate.	The Shire offices are locked and alarmed outside of hours.						
7.5	Data backup procedures appear adequate.	The system is regularly backed up as part of the standard IT maintenance procedures on a daily basis.						
7.6	Key computations related to licensee performance reporting are materially accurate.	<p>Some Excel spreadsheets contains formulas such as, for example:</p> <ul style="list-style-type: none"> - In the Risk Assessment spreadsheet, inherent risk is automatically assigned from the likelihood and overall consequence scores; - In the Annual Capital Investment Budget spreadsheet and in the Annual Operations & Maintenance Budget spreadsheet, the light blue cells are automatically calculated. <p>Apart from viewing the computations in the formula bar, no documentation of key computations has been provided to the Shires.</p> <p>Audit tested the accuracy of computations in the annual performance reports for the audit period, on a sample basis, and confirmed the computations tested were accurate.</p>						
7.7	Management reports appear adequate for the licensee to monitor licence obligations.	<p>Apart from printing the Excel spreadsheets out, there is no ability to create management reports.</p> <p>However, the functionality of the suite of Excel spreadsheets provided by the Authority to Shires for asset management planning purposes appears to be adequate for the Shire's needs.</p>						
8	RISK MANAGEMENT	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;">Process Rating</th> <th style="width: 33%;">A</th> <th style="width: 33%;">Performance Rating</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td style="text-align: center;">1</td> </tr> </tbody> </table>	Process Rating	A	Performance Rating			1
Process Rating	A	Performance Rating						
		1						
8.1	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	The Risk Management Methodology is outlined in the AMP. The Risk Assessment spreadsheet has been completed and is included as Appendix B of the AMP. The Shire advises this will be reviewed annually as part of reviewing the AMP in April/May each year.						
8.2	Risks are documented in a risk register and treatment plans are actioned and monitored.	The Risk Assessment has been sighted. There is a detailed risk register assessing the risks of asset failure and non-compliance with licence obligations with mitigation actions and contingency strategies.						

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
8.3	The probability and consequences of asset failure are regularly assessed.	A Contingency Plan (overall management plans) and staff are available to deal rapidly with identified risks. Control measures are in place to deal with identified risks.
9	CONTINGENCY PLANNING	Process Rating C Performance Rating 3
9.1	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	<p>Key staff have an understanding of unwritten procedures, such as the calling of a plumber in the case of a pipe blockage, or an electrician in the case of a pump failure.</p> <p>However, a formal Contingency Plan has not been developed.</p> <p>The Asset Management Plan has an action item to develop a contingency plan for sewerage overflows by October 2011.</p> <ul style="list-style-type: none"> • Based on the risk assessment in the AMP, a set of contingency plans or emergency procedures should be developed by the Shire to cover situations identified in the risk assessment as being a major or significant risk. For example bushfire affecting ponds or reticulation equipment; reticulation pump or electrical failure; extreme rainfall events/water overflows from the ponds; pipeline burst or blockages etc. <p>The contingency plans should include:</p> <ul style="list-style-type: none"> ○ Detailed procedures ○ Key local contact details – name, number and location ○ Communication protocols ○ Specifications, location and availability of emergency equipment ○ Authorities that need to be contacted and when. <ul style="list-style-type: none"> • Once developed, the contingency plans should be reviewed and tested on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency. <p><i>(Post Audit Implementation Plan item 2.1)</i></p>
10	FINANCIAL PLANNING	Process Rating B Performance Rating 3
10.1	The financial plan states the financial objectives and strategies and actions	The Asset Management Plan details the Capital Expenditure Plan. A sewerage Reserve has been created to fund



Item no.	Criteria (refer criteria in Audit Guidelines) to achieve the objectives.	Observations and results (including any potential improvements)
10.2	The financial plan identifies the source of funds for capital expenditure and recurrent costs.	the capital expenditure. Operational and maintenance costs are covered by rates charged. The Shire maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Dumbleyung Sewerage Scheme. Operational and maintenance costs are covered by rates charged.
10.3	The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	The Shire maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Dumbleyung Sewerage Scheme. The Shire has a specified area rating which is applied to all properties connected or capable of being connected to the sewerage scheme in the Dumbleyung town site. The purpose of this rate is to offset the cost of the sewerage treatment, including operation, maintenance, administration, depreciation and loan repayments. The Asset Management Plan (March 2011) notes that the Shire does not have enough rates income for the sewerage scheme to cover the operational, maintenance and capital costs of replacement over the life of the scheme. The Plan notes that the Shire needs annuities of \$103,328 for capital replacements and \$98,217 for operational and maintenance costs but only collects approximately \$40,000 in rates per annum over the next 5 years. Additional sources of funds for operational costs and capital replacements may need to be found in future. Refer recommendation in section 10.5.
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	The AMP includes revenue predictions for the next 5 years.
10.5	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	The sewerage reserve had a balance of \$88,916 at 30 June 2011 with approximately \$33,000 transferred into the reserve each year. The Asset Management Plan for capital expenditure estimates that an annual annuity of \$103,328 is required from 2011/12 to replace assets over their lifecycle up to 2062. The current reserve is inadequate to cover the estimated capital expenditure annuity and higher transfers to the reserve will be needed in future years. The rates collected each year for the scheme of \$40,000 do not cover the average operations and maintenance cost of \$73,346 over the next 5 years (Note: The figure per the Asset Management Plan of \$86,790 is incorrect as it includes the one cost of \$22,000 for the revised AMP as an ongoing cost each year). The income and expenditure for the scheme is reviewed each April as part of the annual budget preparation. Recommendation:

Item no.	Criteria (refer criteria in Audit Guide/lines)	Observations and results (including any potential improvements)				
		<p>e Further consideration will need to be given to:</p> <ul style="list-style-type: none"> a) recovering the full cost of the sewerage scheme from rates, if operations and maintenance levels are to be maintained; and b) transferring adequate funds to the sewerage reserve for the replacement of assets at their end of their life. c) In the next annual review of the AMP, the one off AMIS training cost of \$21,360 included in the Operational and Maintenance Cost spreadsheet should be corrected to zero for future years. <p>(Post Audit Implementation Plan item 2.2)</p>				
10.6	Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.	Variations in actual and budget income and expenses are identified in monthly reports.				
11	CAPITAL EXPENDITURE PLANNING	<table border="1" style="width: 100%;"> <tr> <td style="width: 33%;">Process Rating</td> <td style="width: 33%;">A</td> <td style="width: 33%;">Performance Rating</td> <td style="width: 33%;">3</td> </tr> </table>	Process Rating	A	Performance Rating	3
Process Rating	A	Performance Rating	3			
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	The AMP has a capital expenditure plan.				
11.2	The plan provides reasons for capital expenditure and timing of expenditure.	The analysis assumes that assets will be replaced at the end of their standard economic life.				
11.3	The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.	The capital expenditure plan would appear to be consistent with the estimated replacement year. In reality some assets will fail earlier than the standard life and some assets will remain useful beyond the standard replacement life.				
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	There is a process to review and update the financial plan in the Asset Management Plan each year as part of the annual budget preparation. Refer item 10.3 and 10.5 regarding the adequacy of the process.				
12	REVIEW OF ASSET MANAGEMENT SYSTEM	<table border="1" style="width: 100%;"> <tr> <td style="width: 33%;">Process Rating</td> <td style="width: 33%;">A</td> <td style="width: 33%;">Performance Rating</td> <td style="width: 33%;">2</td> </tr> </table>	Process Rating	A	Performance Rating	2
Process Rating	A	Performance Rating	2			
12.1	A review process is in place to ensure	A new AMP was issued in March 2011. However, the Monitoring and Review Procedures section of the AMP has				

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
	<p>that the asset management plan and the asset management system described therein are kept current.</p>	<p>not been updated for the requirement to notify the Authority of any changes to the asset management system within the required timeframe.</p> <p>The Plan provides for reissue every 5 years and annual updates in May each year.</p> <p>The back page of the AMP contains a Document /Report Control Form that outlines the revision number, the author, the reviewer, and who approved the AMP for issue and when. The table notes that the AMP was approved for issue on 28/3/11. There were no further revisions carried out. The users of the AMP could benefit from a brief description of changes to the document from the previous version.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> • Update the Asset Management Plan - Monitoring and Review Procedures section for the requirement to notify the Authority of any changes to the asset management system within 10 business days. (<i>Post Audit Implementation Plan item 1.2</i>) • Modify the "Document Status" table to include a brief description of changes to the document from the previous version. (<i>Post Audit Implementation Plan item 2.3</i>)
12.2	<p>Independent reviews (e.g. internal audit) are performed of the asset management system.</p>	<p>An independent review is performed every 3 years as required by the licence.</p>

4.4 Conclusion

The review of the Asset Management System has shown that the processes are well defined and that Shire staff are familiar with the requirements of the system and apply them in the day to day operations and maintenance of the system.

The review confirmed that all 14 recommendations in the previous review report dated August 2009 had been implemented. In particular, the Asset Management Plan has been revised and a new Asset Management Information System has been implemented.

The following new issues were noted:

- There are no detailed contingency plans for failure of assets or risk events such as overflow of the ponds; and no evidence of testing.
- The existing specified area rates charged for the scheme are insufficient to recover the operating and maintenance costs of the scheme as estimated in the Asset Management Plan; also the transfers to the sewerage reserve for capital replacements may be insufficient to cover the estimated replacement cost.

The review recommended that the Shire:

- Develops detailed contingency plans and reviews/tests these on an annual basis;
- Gives further consideration to recovering the full cost of operating, maintaining and replacing assets of the sewerage scheme; and
- A minor improvement is to include a summary of changes in the document history in the Asset Management Plan.

The key components of the infrastructure including the pump stations and treatment ponds were inspected and found to be well-maintained and in excellent condition.

Overall, the asset management system is considered appropriate and adequate for the Shire's operations.

The Post Audit Implementation Plan in Appendix A provides a summary of the issues and recommendations from the asset management system review with responses from the Shire.

Appendix A: Post Audit Implementation Plan

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
1	Operational Audit				
1.1 (Items 5, 6 and 44)	<p>Compliance Schedule</p> <p>The Shire has developed and implemented the Compliance Schedule. However the Schedule does not include all of the regulatory requirements, including:</p> <ul style="list-style-type: none"> • Asset Management System Review due date; • Operational Audit due date; and • Notification to the Authority of changes to the asset management system. 	Low	<p>Note the required timeframes for the following in the Compliance Schedule to ensure regulatory timeframes are met:</p> <ul style="list-style-type: none"> • Asset Management System Review (external); • Operational Audit (external); and • Changes to asset management system to be notified to the Authority within 10 business days. 	Compliance schedule will be updated.	EHO 30 th April 2012
1.2 (Items 4 and 44)	<p>Notify Changes to Asset Management System</p> <p>The audit confirmed with the Shire's EHO that during the audit period, the Shire has made no material changes to the asset management system that would require notification to the Authority apart from the implementation of a new Asset Management Information System (AMIS) in March 2011. This change was notified to the Authority in June 2011 in a status report on the previous audit's Post Audit Implementation Plan rather than within 10 business days of the change and is therefore a</p>	Low	<p>Update the Asset Management Plan - Monitoring and Review Procedures section for the requirement to notify the Authority of any changes to the asset management system within 10 business days.</p>	The Asset Management Plan will be updated.	EHO 31 st May 2012

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
1.3 (Item 48)	<p>non-compliance with this licence condition.</p> <p>The Compliance Schedule has been developed and implemented. However, the Schedule does not include the required timeframes for the notification of the asset management system changes to the Authority.</p> <p>A new Asset Management Plan (AMP) was issued in March 2011. Although, the Legislative Requirements section of the AMP refers to the requirement to notify any changes to the system to the Authority, the required timeframe of 10 business days is not specified.</p> <p>Compliance and Performance Reporting</p> <p>In accordance with the Water Compliance Reporting Manual May 2011, the Shire is required to submit to the Authority:</p> <ul style="list-style-type: none"> • Annual performance reports no later than 31 July for the reporting year ending 30 June; and • Annual compliance reports by 31 August for the year ending 30 June. <p>The audit reviewed the Shire's Compliance and Performance Reports for the years ending 30 June 2009, 2010 and 2011 and relevant correspondence between the Shire and the Authority and noted following exceptions:</p> <ul style="list-style-type: none"> • Compliance Report for the year ended 30 June 2010 was submitted after the due 	Medium	The Shire should ensure that all future Compliance Reports are submitted to the Authority within the timeframes required.	Noted and included in Compliance Schedule.	EHO Completed

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	<p>date (within 2 months); and</p> <ul style="list-style-type: none"> Compliance Report for the year ended 30 June 2011 was submitted after the due date (within 2 months). <p>The Shire has developed and implemented the Compliance Schedule with the annual performance and compliance reporting due dates included in the schedule of events.</p>				
2	Asset Management System Review				
2.1	<p>Contingency Planning</p> <p>Key staff have an understanding of unwritten procedures, such as the calling of a plumber in the case of a pipe blockage, or an electrician in the case of a pump failure.</p> <p>However, a formal Contingency Plan has not been developed.</p> <p>The Asset Management Plan has an action item to develop a contingency plan for sewerage overflows by October 2011.</p>	Medium	<p>a) Based on the risk assessment in the AMP, a set of contingency plans or emergency procedures should be developed by the Shire to cover situations identified in the risk assessment as being a major or significant risk. For example bushfire affecting ponds or reticulation equipment; reticulation pump or electrical failure; extreme rainfall events/water overflows from the ponds; pipeline burst or blockages etc.</p> <p>The contingency plans should include:</p> <ul style="list-style-type: none"> Detailed procedures Key local contact details – name, number and 	Detailed contingency plans will be developed, including annual review.	EHO 30 th June 2012

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
2.2	<p>Financial Planning</p> <p>The sewerage reserve had a balance of \$88,916 at 30 June 2011 with approximately \$33,000 transferred into the reserve each year.</p> <p>The Asset Management Plan for capital expenditure estimates that an annual annuity of \$103,328 is required from 2011/12 to replace assets over their lifecycle up to 2062. The current reserve is inadequate to cover the estimated capital expenditure annuity and higher transfers to the reserve will be needed in future years.</p> <p>The rates collected each year for the scheme of</p>	Medium	<p>location</p> <ul style="list-style-type: none"> o Communication protocols o Specifications, location and availability of emergency equipment o Authorities that need to be contacted and when. <p>b) Once developed, the contingency plans should be reviewed and tested on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency.</p>	<p>Will be considered in preparing the 2012/13 Annual Budget for submission to Council.</p> <p>Spreadsheet to be corrected.</p>	CEO and EHO 31 st May 2012

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	<p>\$40,000 do not cover the average operations and maintenance cost of \$73,346 over the next 5 years (Note: The figure per the Asset Management Plan of \$86,790 is incorrect as it includes the one-off training cost of \$21,360 for the revised AMP as an ongoing cost each year).</p> <p>The income and expenditure for the scheme is reviewed each April as part of the annual budget preparation.</p>		<p>their end of their life.</p> <p>b) In the next annual review of the AMP, the one off AMIS training cost of \$21,360 included in the Operational and Maintenance Cost spreadsheet should be corrected to zero for future years.</p>		
2.3	<p>Review of Asset Management System</p> <p>The back page of the AMP contains a Document /Report Control Form that outlines the revision number, the author, the reviewer, and who approved the AMP for issue and when. The table notes that the AMP was approved for issue on 28/3/11. There were no further revisions carried out. The users of the AMP could benefit from a brief description of changes to the document from the previous version.</p>	Low	<p>Modify the "Document Status" table to include a brief description of changes to the document from the previous version.</p>	<p>The AMP will be updated.</p>	<p>EHO 31st May 2012</p>

END OF REPORT