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Shire of Coolgardie

Report for Water Services Operating Licence Audit and Asset Management Review

November 2009



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Executive Summary

This Water Operating Licence and Asset Management Review were carried out on the waste water services at the Shire of Coolgardie (the Shire) for the period between 1st November 2005 to 31st October 2008 in accordance with the approved Audit Plan and the Audit Guidelines of the Economic Regulation Authority. The purpose of this audit was to assess the Shire's level of compliance with the conditions of its licence for Non-Potable Water Supply and Sewerage Services.

Coolgardie is located approximately 570 Kilometres east of Perth. The Town was established in 1893 and has a population of approximately 1,000.

The Water Services includes the operational and maintenance of

- ▶ Approximately 11.2kms of sewer collection system for Coolgardie.
- ▶ Wastewater Treatment Plant (WWTP) which collects and treats approximately 73ML per annum of the residential and commercial wastewater. Treated wastewater is reticulated to the sports oval.

The last audit was completed by GHD in January 2006 for the period 31st October 2002 to 30th October 2005 where the auditor identified issues and made recommendations with regard to the Shire's compliance with the conditions of its licence. The previous audit was reviewed and some improvement has occurred since the previous audit and review. A summary of the status of the previous audits issues and recommendations are shown in Tables in Section 2 of this report.

A GHD audit team carried out the audit/review including a field visit and a review of documentation, systems and operations.

The sewer systems are generally in good condition, maintained to an acceptable level and operated effectively. Documentation of the "As Constructed" status of the systems has been captured.

The town's sewage demand profile has been stable in recent years. Growth is not predicted during the next five year period. However the amount of waste water entering the WWTP has slightly increased recently and the Shire has had to use all four ponds instead of just two. The WWTP has adequate capacity to meet the current demand.

The Shire completes most of the required maintenance on its sewer system, however it has the capacity to engage electrical and plumbing contractors as required. A summary of the operational audit issues and recommendations are shown in Table (i).



Table (i) Operating Licence Requirements - Summary of Current Issues and Recommendations

Licence Clause	Licence Obligation	Issues Identified	Recommendation	Post Audit Action Plan
Operational Licence Requirements				
Clause 17.1 - Asset Management System	The licensee must provide for, and notify the Authority of, an asset management system in respect of the licensee's assets within two business days from the commencement date unless otherwise notified in writing by the Authority.	The Shire has AMP dated November 2006 which needs updating and implementing. The AMP was received and acknowledged by ERA in July 2007.	Update and expand update AMP and AMIS to include the information in Table (ii) below. Advise the ERA once the updated system has been implemented.	To be carried out by MRDS, MCS and Consultant by End June 2010
Clause 17.3 - Asset Management System	The licensee must, unless otherwise notified in writing by the Authority within 24 months after the commencement date and every 24 months thereafter: (a) conduct an asset management system review; (b) provide the Authority with a report on the asset management system review.	The AMS was last audit completed January 2006, has not been reviewed within the 24 month timeframe and contains out of date information.	Revised the AMS and advise the Authority when the relevant items in the Post-Audit Implementation Plan have been completed.	To be carried out by MRDS and CEO by End July 2010



Licence Clause	Licence Obligation	Issues Identified	Recommendation	Post Audit Action Plan
Schedule 3 - Customer Provisions				
Clause 2.5 - Customer Service Charter	The licensee must make the Customer Service Charter available to its customers in the following ways:			
	a) by prominently displaying it in those parts of the licensee's offices to which customers regularly have access;	Customer Service Charter was displayed on noticeboard, but was removed during the review process.	Shire to prominently display the CSC.	To be carried out by MCS by End Nov 2009
	b) by providing a copy, upon request, and at no charge, to the customer; and			
	c) by sending a current copy, or a summary document approved by the authority, to all customers at least once in every three year period or as agreed with the authority.	Customer Service Charter not sent to customers.	Create a summary version of the Customer Service Charter including basic information about the Shire's operations and attach to annual rate notices. Include in AMP.	To be carried out by MCS and MRDS by End Aug 2010
Clause 3.1 - Customer Complaints	Subject to clause 3.8, the licensee must have in place, a properly resourced process for effectively receiving, recording and (where possible) resolving customer complaints within a timeframe of 15 business days	The Shire uses the procedures in section 2.9 of the Customer Service Charter to resolve complaints within 14 days, however the resolution of complaints is not recorded.	Expand the customer complaint log system to include documentation of the complaint outcomes.	To be carried out by MCS by End May 2010



Licence Clause	Licence Obligation	Issues Identified	Recommendation	Post Audit Action Plan
Clause 3.9(a) - Customer Complaints	To ensure the effectiveness of such a process the licensee must, as a minimum: a) record details of each customer complaint and its outcome	The Shire records and documents complaints, but not the outcomes.	Expand current complaint log system to include compliant outcomes.	To be carried out by MCS by End May 2010
Clause 4.1(b)(ii) - Customer Consultation	The licensee must establish ongoing customer consultation processes which both inform customers and proactively solicit customer opinion on the licensee's operation and delivery of services, the licensee may either: (ii) Publishing a simple newsletter providing basic information about the licensee's operations	Brief description of sewer services provided on rate notices, however the basic information in the Shire's operation of the services and summary of the Customer Service Charter was not detailed	Create a summary version of the Customer Service Charter including basic information about the Shire's operations and attach to annual rate notices.	To be carried out by MCS and MRDS by End Aug 2010
Clause 4.2 - Customer Consultation	The Authority must be consulted with respect to the type and extent of customer consultation to be adopted by the licensee	ERA was not been consulted on the type or extent of consultation.	Consult with the ERA on the type and extent of customer consultation.	To be carried out by MRDS by End Aug 2010



Licence Clause	Licence Obligation	Issues Identified	Recommendation	Post Audit Action Plan
Schedule 4	Services & Performance Standards			
Clause 1.1 – Emergency Response	The licensee shall provide an emergency telephone advice system such that customers need make only one telephone call to report an emergency and that the customer shall be advised of the nature and timing of the action to be undertaken by the licensee in accordance with the following corresponding performance indicator / target: 90% of customers within one hour of reporting an emergency shall be advised of the nature and timing of the action to be undertaken by the licensee.	The Shire provides emergency phone numbers in Customer Service Charter and on website. Shire currently investigating installing phone system to provide one emergency number. All emergency callers were advised of nature and timing of action to be undertaken within one hour. The ERA review of the Customer Services Charter noted that the Emergency Assistance paragraph 1.5 may be confusing.	Redraft Section 1.5 of the Customer Services Charter to clarify the Emergency Call-Out system and process.	To be carried out by MCS and MRDS by End April 2010

The Shire's Asset Management System comprises the asset register, asset management plan, as constructed drawings, operational and maintenance plans. Information, such as, the Levels of Service, asset performance, asset descriptions and condition have been partly captured and documented in the Shire's asset management plan. The Asset Management systems are basic, but understood by the Shire's staff.

While the current systems provide a basic maintenance management system, the Shire does not have a standalone Asset Management Software System and needs to update and implement its asset management plan. The asset management plan contains an improvement program which has not been completed. A summary of the Asset Management System review issues and recommendations are shown in Table (ii).



Table (ii) Asset Management System Requirements - Summary of Current Issues and Recommendations

Asset Management Process	Effectiveness Criteria	Issues Identified	Recommendation	Post Audit Action Plan
Asset Planning	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning	Plans and objectives are included in the AMP, but need updating and implementing.	Update plans and objectives in AMP and implement.	To be carried out by MCS and MTS by End June 2010
	Service levels are defined	Service levels stated in AMP, but not complete or implemented.	Complete and implement the service levels and update the AMP.	To be carried out by MCS and MTS by End June 2010
	Lifecycle costs of owning and operating assets are assessed	Asset value included in AMP, but needs updating and expanding to include operating costs.	Update asset values in AMP and include lifecycle costs such as operational costs.	To be carried out by MCS and MTS by End June 2010
	Likelihood and consequences of asset failure are predicted	Likely failures understood by staff, but not documented.	Identify and document likelihood and consequences of asset failure in AMP.	To be carried out by MTS by End June 2010
	Plans are regularly reviewed and updated	Plans in AMP have not been reviewed since its creation Nov 2006.	Create and implement a reminding procedure to ensure AMP is regularly reviewed and updated.	To be carried out by MRDS by End March 2010
	Asset Creation and Acquisition	Commissioning tests are documented and complete	Tests completed for pumping systems, however minimal documentation.	Create and implement commissioning process for assets and include in the AMP.



Asset Management Process	Effectiveness Criteria	Issues Identified	Recommendation	Post Audit Action Plan
Asset Disposal	Under-utilised and under-performing assets are identified as part of a regular systematic review process	Assets levels of service contained in AMP, but not monitored.	Create and implement a process for identifying capacity of assets and recording past performance. Include in AMP.	To be carried out by MTS by End March 2010
	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken	Shire examines performance when asset fails.	Create and implement a review process for when under or poor performing assets are identified and include in AMP.	To be carried out by MTS by End March 2010
Environmental Analysis	Opportunities and threats in the system environment are assessed	Understood by staff and partly mention in AMP.	Conduct SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis and include in AMP	To be carried out by MCS, MRDS and Consultant by End June 2010
	Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved	Shire operates sewer system effectively, but completes minimal measurements including WWTP output.	Identify and document performance requirements for all assets. Create and implement monitoring procedures for assets. Include in AMP.	To be carried out by MTS by End March 2010
Asset Operations	Operational policies and procedures are documented and linked to service levels required	Understood by staff, however minimal operational policies and procedures documented.	Create, document and implement operational policies and procedures and link to service levels required. Include in AMP.	To be carried out by MTS by End April 2010



Asset Management Process	Effectiveness Criteria	Issues Identified	Recommendation	Post Audit Action Plan
	Risk management is applied to prioritise operations tasks	Risk management not completed.	Create and implement a regular review procedure for the operational schedule to prioritise tasks based on risk management.	To be carried out by MTS by End April 2010
	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	Detailed asset register exists, however needs updating.	Create and implement an update process for the assets register and include in AMP.	To be carried out by MTS by End April 2010
Asset Maintenance	Maintenance policies and procedures are documented and linked to service levels required	Understood by staff, however minimal maintenance policies and procedures documented.	Create, document and implement maintenance policies and procedures and link to service levels required. Include in AMP.	To be carried out by MTS by End April 2010
	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule	Maintenance plan included in AMP, however Shire uses a different schedule.	Amend AMP to reflect current maintenance schedule.	To be carried out by MTS and MRDS by End April 2010
	Risk management is applied to prioritise maintenance tasks	Risk management not undertaken.	Create and implement a regular review procedure for the maintenance schedule to prioritise tasks based on risk management.	To be carried out by MTS by End April 2010



Asset Management Process	Effectiveness Criteria	Issues Identified	Recommendation	Post Audit Action Plan
Asset Management Information System	Adequate system documentation for users and IT operators	Asset management plan and register located on computer system, however not used. No documentation for users.	Train staff in the AMIS use and implement.	
	Input controls include appropriate verification and validation of data entered into the system	No verification of data undertaken.	Create data verification procedure for updating asset data in AMIS.	To be carried out by MTS by End March 2010
	Management reports appear adequate for the licensee to monitor licence obligations	Licence obligations understood by staff and adequate reports completed, but AMIS not used to produce reports.	Train staff in the AMIS use and implement.	
Risk Management	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system	Not undertaken.	Identify risks and create risk management procedures and policies. Include in AMP. Ensure policy includes risk reviewing procedure.	To be carried out by MTS by End March 2010
	Risks are documented in a risk register and treatment plans are actioned and monitored	Not undertaken.	Create, implement and monitor risk register and include in AMP.	
	The probability and consequences of asset failure are regularly assessed	Understood by staff, but not documented.	Create and document risk register including the treatment and consequences of asset failure. Include in AMP	To be carried out by MTS by End March 2010



Asset Management Process	Effectiveness Criteria	Issues Identified	Recommendation	Post Audit Action Plan
Contingency Planning	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks	Shire has capacity to handle emergencies, however not documented contingency plan exists.	Create and implement a Contingency Plan and include in AMP.	To be carried out by MTS by End March 2010
Financial Planning	The financial plan states the financial objectives and strategies and actions to achieve the objectives	Shire's "Plan for the Future" plan contains objectives, strategies and actions, however AMP objectives needs to be amended to match.		
	The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period	Shire's "Plan for the Future" plan and AMP contains five year predictions. AMP needs amending to match.	Amend AMP to match current plan.	To be carried out by MCS by End March 2010
	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services	Included in Shire's "Plan for the Future" plan and AMP. AMP needs amending to match.		
Capital Expenditure Planning	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates	Capital expenditure plan included in AMP. Needs reviewing.	Review and update plan in AMP.	To be carried out by MCS and MTS by End March 2010



Asset Management Process	Effectiveness Criteria	Issues Identified	Recommendation	Post Audit Action Plan
	The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan	Capital expenditure plan in AMP takes into account assets life and condition. Needs updating.	Review and update plan in AMP.	To be carried out by MCS and MTS by End March 2010
	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned	No review process exists.	Create and implement a reminding procedure to ensure the plan is regularly reviewed and updated.	To be carried out by MRDS by End Dec 2009
Review of Asset Management System	A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current	No review process in place. AMP needs reviewing.	Create asset management review procedure to ensure system is reviewed regularly.	To be carried out by MRDS by End Dec 2009
	Independent reviews (eg internal audit) are performed of the asset management system	Shire audits system every three years, however licence requires every two.	Create and implement a reminding procedure to ensure audits are completed every 24 months.	



The outcome of the inspection of the water services assets and interviews with the Shire of Coolgardie staff was that the systems are operated effectively, within the current standards and code requirements and present minimal risks to the Shire's customers and residents. While, the level of documentation and management systems is basic, these are generally adequate for the number and complexity of the water services assets.

The Shire has no growth and planned refurbishment/replacement of assets has not been required.

Overall the Shire's operation of the Water Services Licence is compliant with major or material requirement of the Licence. Recommendations have been included in this document to improve the strength of internal controls. The primary deficiencies with the operation of the Water Services Licence are in the area of asset management plan, auditing, availability of the customer service charter, recording complaint outcomes and customer consultation.

The primary deficiencies with the Shire's asset management system are in the areas of risk analysis, contingency plans and planning, creation and disposal for assets.

The improvement program included in the AMP requires completing and the AMP needs to be reviewed and updated. The Shire also needs to create and implement policies and procedures for using its basic AMIS to keep track of activities.



1. Introduction

This Water Operating Licence and Asset Management Review were carried out on the waste water services at the Shire of Coolgardie (the Shire) for the period between 1st November 2005 to 31st October 2008 in accordance with the approved Audit Plan and the Audit Guidelines of the Economic Regulation Authority. Coolgardie is located approximately 570 Kilometres east of Perth. The Town was established in 1893 and has a population of approximately 1,000.

The Water Services includes the operations and maintenance of:

- ▶ Approximately 11.2kms of sewer collection system for Coolgardie.
- ▶ A Wastewater Treatment Plant (WWTP) which collects and treats approximately 73ML per annum of the residential and commercial wastewater. Treated wastewater is reticulated to the sports oval.

As the SoC's Operating Licence was updated during the audit period, the scope of services and licence compliance requirements are detailed in the current and previous licences, these being:

- ▶ Operating Licence 13 Version OL1 dated 6th August 2008; and
- ▶ Operating Licence Registration Number IL/13, Licence Version 4 dated 4th November 2004.

This audit has been prepared in accordance with the "Economic Regulation Authority, Audit Guidelines: Electricity, Gas and Water Licences September 2006."

1.1 Scope

The Audit covers the period from 1st November 2005 to 31st October 2008 and was carried out on 22nd July 2009. As it is impractical to review all of the relevant documentation over this period, a sample of documents and services/events was examined in order to establish a thorough appreciation and assess compliance.

The objectives of this audit were:

- ▶ To assess the Shire's operational and asset management compliance with the conditions of its operating licence.
- ▶ Assess the Shire's status on recommendations made since the previous audit from January 2006.
- ▶ To identify areas requiring improvement and make recommendations.

The methodology, order and content of the audit were:

- ▶ Inspection of the sewer facilities, including treatment, collection and reuse systems;
- ▶ Review of previous audit documentation and results;
- ▶ Review of Licence Documentation, Asset Management systems, plans etc;
- ▶ Interview with relevant personnel; and
- ▶ Preparation of the audit report

1.2 Documents Reviewed

The following documents, which relate to the water services operations and asset management, were reviewed during the audit.



- ▶ Operational Licences – August 2008 and November 2004
- ▶ Customer Services Charter – November 2008
- ▶ Water Services Operating Licence Audit and Asset Management Review Final Report, GHD January 2006
- ▶ Complaints Documentation
- ▶ As Constructed Drawings and Plans
- ▶ The Shire’s “Plan For The Future” Financial Plan
- ▶ The Shire’s Financial Recovery Plan
- ▶ Relevant correspondence from the City to ERA
- ▶ The Shire’s Asset Management Plan Sewerage and Effluent Reuse Scheme Assets – November 2006
- ▶ The Shire’s Annual Budget

1.3 Risk Assessment

A Risk Assessment completed for the Audit Plan identified the following items as high risk.

- ▶ Emergency Response
- ▶ Customer Complaints
- ▶ Sewerage Services
- ▶ Incident Reports
- ▶ Contingency Planning for asset failure
- ▶ Asset Operations
- ▶ Asset Maintenance

A copy of the risk assessment is included in Appendix A

1.4 Personnel Interviewed

The following personnel were interviewed on the management, maintenance and operation of the water systems including:

- ▶ The Shire of Coolgardie:
 - Geoff Benson: Manager, Development Services

1.5 Previous Audit

The Audit report of January 2006, which was for the period 31st October 2002 to 30th October 2005 was reviewed and the recommendations and non-compliance issues discussed in the later sections of this report. The Shire’s operational licence has been amended since the 2006 report.

1.6 Assessment and Measurement of Compliance

The Licensee’s compliance with licence requirements were assessed using the effectiveness scales in Table 1.



Table 1 Operating Licence Compliance Rating Scale

Effectiveness	Rating	Description
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 the minimum requirements
Significantly Non-compliant	1	Significant weaknesses and/or serious action required

In addition, the rating scale in Table 2 was used in assessing the effectiveness of the key outputs of the Asset Management System.

Table 2 Asset Management Review Effectiveness Rating Scale

Effectiveness	Rating	Description
Continuously improving	5	Continuously improving organisation capability and process effectiveness
Quantitatively controlled	4	Measurable performance goals established and monitored
Well-defined	3	Standard processes documented, performed and coordinated
Planned and tracked	2	Performance is planned, supervised, verified and tracked
Performed informally	1	Base practices are performed
Not performed	0	Not performed (indicate if not applicable)

In addition to the above compliance assessment or in absence of a specific grading, observations and comments were made by the auditor with recommendations for improvement when deemed appropriate.

1.7 Audit Time Input

The professional resource requirements for the operations audit and asset management systems review were as follows:

1. Preparation of the Audit Plan and Risk Assessment 8 hrs
2. Conduct the Audit and AM Review 15 hrs



3.	Prepare the Draft Report	14 hrs
4.	Review and Amend Draft Report and Prepare Final Report	15 hrs
5.	Total	52 hrs



2. Previous Audit

The status of the recommendations from the January 2006 Audit Report by GHD is shown in the following tables. The status of the recommendations demonstrates that some improvement has occurred since the previous audit and review. The following recommendations were completed under the Economic Regulation Authority's previous guidelines.

2.1 Operational Audit

Table 3 Previous Operational Audit Recommendations and Actions

Recommendation	Status	Further Action Required
Purchase and implement an Asset Management software system and migrate the hard and soft copy information to one system.	Asset management plan and register located on computer system, however not used. No documentation for users.	Train staff in the AMIS use and implement.
Prepare an Asset Management Plan for Water Services assets.	Asset Management Plan created November 2006, but not updated or implemented.	Create asset management review procedure to ensure system is reviewed regularly.
Advise the ERA of the scope of Asset Management system.	The Authority was advised and acknowledged the AMP in July 2007.	Advise the Authority when the AMP has been reviewed.
Collect the Schedule 3 information and establish a system to ensure that the reports are provided by the due date.	Required information submitted on time to ERA on Aug 07 and July 08..	No further action needed. Note that the new Licence requires this information to be provided by 31 Aug annually as a Water Compliance Report.
Collect and document the information required for Schedule 2.	Information provided to ERA.	No further action needed. Note that the new Licence requires this information to be provided by 31 Aug annually as a Water Compliance Report.
Forward the Customer Services Charter to the ERA for Approval.	Completed. Customer Services Charter reviewed and submitted to ERA Nov 08.	No further action required
Display the Charter on the Shire web site or Public Noticeboard.	Customer Service Charter was displayed on noticeboard, but was removed during the review process.	Ensure the Customer Service Charter is displayed on the noticeboard.



Recommendation	Status	Further Action Required
Establish a Customer Complaints System which records the required information.	The Shire has complaint log book and system in place and is covered in the Customer Service Charter. The log book does not contain compliant resolution result.	Expand the current complaint recording system to include complaints resolutions.

2.2 Asset Management Review

Table 4 Previous Asset Management Review Recommendations and Actions

Recommendation	Status	Further Action Required
Asset Planning/Creation/Acquisition		
Establish the strategic objectives of assets	Objectives stated in AMP, but not complete and implemented.	Complete and implement objectives for asset and include in AMP.
Document life cycle costs for all assets	Lifecycle costs documented in AMP, but not updated.	Update lifecycle costs in AMP.
Implement a system of full project evaluation for new assets	The Shire uses purchasing policy for new assets and utilised Western Australian Local Government Association supply contracts..	No further action required.
Fully document asset details	Asset Register created, but not kept updated.	Update and regularly review the asset register.
Establish the objectives for asset creation/acquisition,	Shire uses their purchasing policy for new assets. Objectives included in AMP.	No further action required.
Establish the actual costs of all assets	Assets value included in AMP, but not kept up to date.	Update asset's costs and values in AMP.
Environmental Analysis		
Document the performance requirements for all assets (availability of service, capacity, continuity, and emergency response)	Performance requirements documented in AMP, but not complete and monitored.	Complete asset performance requirements and monitor. Include in AMP.
Document the asset system objectives	Objectives stated in AMP, but not complete and implemented.	Complete and implement objectives for asset and include in AMP.



Recommendation	Status	Further Action Required
Prepare opportunities and threats assessment for each system	Opportunities and threats understood by staff, but not documented.	Assess opportunities and threats and document in AMP.
Document the regulatory obligations and requirements	Regulatory obligations and requirements documented in AMP.	No further action required.
Asset System Analysis		
Document the asset system components	AMP includes system components.	No further action required.
Assess the asset performance and condition	Asset performance and condition understood by staff, but not documented.	Create and implement asset performance and condition review procedure and include in AMP.
Update asset register and plans to system components level	AMP includes detailed asset register and as constructed plans, but not regularly reviewed.	Review and updated asset register.
Record the asset type, location, material and an assessment of assets physical/structural condition	Asset register is detailed, but not regularly reviewed.	Create and implement asset register review procedure and include in AMP.
Instigate a system to assess asset efficiency, including performance capacity and deficiencies	Asset performance and capacity understood by staff, but not documented and monitored.	Create and implement asset performance and capacity review procedure and include in AMP.
Assess assets against capability to meet performance requirements	Asset performance and capacity understood by staff, but not documented and monitored.	Create and implement asset performance and capacity review procedure and include in AMP.
Document operating rules and maintenance	Operation and maintenance plan included in AMP, but does not contain manuals or procedures.	Include operational and maintenance manuals and procedures in AMP.
Document the preventative and corrective maintenance plans	Preventative and corrective maintenance plans included in AMP.	No further action needed.
Document the outcomes in an Asset Management Plan	Minimal records kept of preventative and corrective maintenance actions.	Update the AMP to include preventative and corrective maintenance actions.
Establish the life of each asset	Asset life included in AMP, but needs updating.	Review and update asset life in AMP.
Update asset life, predictive failure modes and maintenance requirements	Asset life and predictive failure modes are in AMP.	No further action needed.



Recommendation	Status	Further Action Required
Risk Analysis and Contingency Planning		
Establish a risk assessment process for the Water Services	Risks understood by staff, but no formal risk assessment has been undertaken or documented.	Complete risk assessment for assets and include in AMP.
Assess the probability and consequences of asset failures	Risks understood by staff, but no formal risk assessment has been undertaken or documented.	Complete risk assessment for assets and include in AMP.
Prepare appropriate contingency plans for high risk failures	Staff understands what to do when high risk failures occur, but not documented in AMP.	Prepare and document contingency plans for high risk failures.
Identify unacceptable risks and prepare risk control measures	Staff identify and control unacceptable risk through routine maintenance, but no formal risk assessment procedure exists.	Complete risk assessment for assets and include in AMP. Create risk assessment procedure.
Financial Planning		
Prepare detailed five year capital replacement program for water services assets	Five year plan included in AMP, however it does not reflect the Shire's recently adopted new financial plan "Plan For The Future – July 2008".	Review the five year capital replacement program in AMP and amend to reflect new financial plan.
Capital Expenditure Planning		
Establish a detailed capital expenditure plan based on asset condition and performance and document within the AMP	Capital expenditure plan included in AMP. Needs reviewing.	Review and update capital expenditure plan in AMP.
Include in the Capital Expenditure Plan the rationale and justifications for projected expenditures, responsibilities, actions and milestone dates	Detailed replacement program included in AMP, however the Shire has no capital expenditure planned.	Review and update capital expenditure plan in AMP.
Include detail operations, maintenance and administration cost in the annual budget processes	Shire's annual budget includes breakdowns for the sewer system operations and maintenance.	No further action required.
Review		
Instigate a process for the periodic review of the asset management systems.	Operational and Asset Management Audit completed in August 2009.	Implement a reminding system to ensure the asset management system is reviewed regularly.



3. Operating Licence Audit

The WWTP is generally in good condition, operated effectively and generally performed within quality requirements. The assets included:

- ▶ 11.2km reticulation network;
- ▶ Wastewater Treatment Plant (WWTP) – 4 ponds plus 1 treated effluent reuse storage pond;
- ▶ 0.9km of treated effluent reuse pipework for the irrigation of the sports oval.

The sewer systems are generally in good condition, maintained to an acceptable level and operated effectively. Documentation of the “As Constructed” status of the systems has been captured.

The town’s sewage demand profile has been stable in recent years. Growth is not predicted during the next five year period. However the amount of waste water entering the WWTP has slightly increased recently and the Shire has had to use all four ponds instead of just two. The WWTP has adequate capacity to meet the current demand.

The Shire completes most of the required maintenance on its sewer system; however it has the capacity to engage an electrical and plumbing contractor as required.

The following information, evidence and inspections were audited for the period:

Table 5 Operational Licence Review Checklist

Licence Clause or Schedule	The Licence Obligation	System established by the Licensee to comply with obligations of Licence	Compliance Scale
Schedule 2	Operating Areas		
	It is in the correct operating area	Yes	4
Schedule 3	Customer Provisions		
Clause 2	Customer Service Charter		
2.1	The licensee must have in place a Customer Service Charter that accords with the Authority's review guidelines	The previous Customer Charter complied with the Authority’s guidelines. Revised Customer Service Charter in place, reviewed November 2008. Approved by the ERA on 29 June 2009.	4
2.2	The Customer Service Charter: a) Should be drafted in 'plain English'	Yes. The ERA's review of the new Customer Charter recommended some simplification of technical and legalistic language.	4



Licence Clause or Schedule	The Licence Obligation	System established by the Licensee to comply with obligations of Licence	Compliance Scale
	b) Should address all of the service issues that are reasonably likely to be of concern to its customers	Yes	4
2.3	Different parts of the Customer Service Charter may be expressed to apply different classes of customers	Yes. Includes additional detail for industrial and commercial waste customers.	4
2.4	Any proposed amendment to the Customer Service Charter must be forwarded to the authority for approval	Charter not amended during the audit period. Revised Customer Service Charter sent to ERA and approved July 09.	4
2.5	The licensee must make the Customer Service Charter available to its customers in the following ways:		
	a) by prominently displaying it in those parts of the licensee's offices to which customers regularly have access	Customer Service Charter was displayed on noticeboard, but was removed during the review process.	2
	b) by providing a copy, upon request, and at no charge, to the customer	Copies are available at reception at request.	3
	c) by sending a current copy, or a summary document approved by the authority, to all customers at least once in every three year period or as agreed with the authority.	Customer Service Charter not sent to customers.	1
2.6	The Customer Service Charter is to be reviewed by the licensee at least once in every three year period or as agreed with the Authority	Revised Customer Service Charter sent to ERA and approved July 09. The timeframe for review was assessed as unduly long by the ERA.	2
2.7	The licensee provides services in a way that is consistent with its Customer Service Charter.	Yes – Provision of the service is in accord with the Customer Services Charter.	4
Clause 3	Customer Complaints		
3.1	Subject to clause 3.8, the licensee must have in place, a properly resourced process for effectively receiving, recording and (where possible) resolving customer complaints within a timeframe	The Shire uses section 2.9 of the Customer Service Charter to resolve complaints within 14 days, however the resolution of	3



Licence Clause or Schedule	The Licence Obligation	System established by the Licensee to comply with obligations of Licence	Compliance Scale
	of 15 business days	complaints not recorded.	
3.3	Disputes that arise between a customer and the licensee regarding a provided or requested water service, the customer may refer to the Department of Water	Not required.	N/A
3.4	Where a dispute has not been resolved within 15 business days the licensee must inform the customer of the option of referring their complaint to the Department of Water	Not required.	N/A
3.5	Where disputes are referred, the Department of Water may:		
	a) conciliate the dispute	Not required.	N/A
	b) direct the licensee or customer to binding arbitration	Not required.	N/A
3.6	During the process of investigation and conciliation, the licensee must make every endeavour to promptly cooperate with the Department of Water's requests, which must include the expeditious release of any information or documents requested by the Department of Water and the availability of the relevant staff of the licensee.	Not required.	N/A
3.7	The licensee must, on request, provide the Department of Water with details of complaints made, names and addresses of customers who have made complaints and the manner in which the complaint was resolved.	Not required.	N/A
3.8	The licensee must establish a system for recording and resolving complaints as per clause 3.1, however for matters which must be considered by a Local Government Authority Council, the complaint must be resolve within five business days after the first ordinary Council meeting following the expiry of the 15 business day period.	Not required.	N/A



Licence Clause or Schedule	The Licence Obligation	System established by the Licensee to comply with obligations of Licence	Compliance Scale
3.9	To ensure the effectiveness of such a process the licensee must, as a minimum:		
	a) record details of each customer complaint and its outcome	The Shire records and documents complaints, but not the outcomes.	2
	b) provide an officer trained to deal with customer complaints who is authorised to, or has access to another officer who has the authority to, make the necessary decisions to settle customer complaints or disputes, and where applicable, make recommendations to Council as to the payment of monetary compensation	Trained Staff provided to deal with complaints.	4
	c) make all necessary arrangements to ensure that if possible complaints can be resolved in the timeframes set out in sub-clause 3.8	Complaints handled under section 2.9 of Customer Service Charter.	4
3.10	Unless the complaint or dispute is a matter in relation to section 3.22 of the Local Government Act 1995, where a dispute has not been resolved within 15 business days the licensee must inform the customer of the option of referring their complaint to the department of Water.	Not required.	N/A
Clause 4	Customer Consultation		
4.1	The licensee must establish ongoing customer consultation processes which both inform customers and proactively solicit customer opinion on the licensee's operation and delivery of services, the licensee may either:		
	a) establish a Customer Council, and consult with the Customer Council to facilitate community involvement in issues relevant to the exercise of the licensee's levels of service under the licence; OR	The City undertakes option b).	N/A
	b) institute at least two of the following:		
	(i) Meeting on a regular basis with customers to seek comment on issues relevant to the exercise of the licensee's levels of service under the licence	Customers are given the opportunity to provide their comments at the Council Meetings during public question time.	4



Licence Clause or Schedule	The Licence Obligation	System established by the Licensee to comply with obligations of Licence	Compliance Scale
	(ii) Publishing a simple newsletter providing basic information about the licensee's operations	Brief description of sewer services provided on rate notices	2
	(iii) Establishing other forums for consultation to enable community involvement in issues relevant to the exercise of the licensee's obligations under this licence	Not required	N/A
4.2	The Authority must be consulted with respect to the type and extent of customer consultation to be adopted by the licensee	ERA was not consulted.	1
4.3	The licensee may, or at the request of the Authority, must establish other forums for consultation, to enable community involvement in issues relevant to the exercise of the licensee's obligations under the licence	The community was consulted through Newspaper advertising on the new Customer Services Charter.	4
4.5	Prior to making changes to the operation of a water service(s), such as the construction of new wastewater treatment works or significant expansion of the sewerage network, the licensee will:		
	a) hold a public meeting to obtain customer views on the performance and operation of the scheme; or	No changes have occurred during the audit period.	N/A
	b) advertise for written submissions on the proposal.		
4.6	The licensee must allow customers to raise matters of concern regarding the sewerage system at public question time in accordance with the Local Government Act 1995.	Customers are given the opportunity to provide their comments at the Council Meetings during public question time.	4
Clause 5 Customer Contracts			
5.1	The licensee may enter into an agreement with a customer to provide water services that exclude, modify or restrict the terms and conditions of the license	The Shire has no customer contracts.	N/A



Licence Clause or Schedule	The Licence Obligation	System established by the Licensee to comply with obligations of Licence	Compliance Scale
5.2	<p>The licensee may not enter into an agreement unless the following conditions are met:</p> <hr/> <p>a) must be approved by the Authority prior to its commencement; AND</p> <hr/> <p>b) must not be amended without the prior approval of the Authority</p>	The Shire has no customer contracts.	N/A
5.3	<p>The licensee does not need the approval of the Authority if the terms that exclude, modify or restrict the terms and conditions of the license:</p> <hr/> <p>a) were in force before the commencement of the licence</p> <hr/> <p>b) have previously been approved by the Authority in another agreement that applies to the same class of customer</p>	The Shire has no customer contracts.	N/A
5.4	<p>If the licensee enters into an agreement with a customer that excludes, modifies or restricts the terms of conditions of the license, the licensee must publish a report annually that includes the following information:</p> <hr/> <p>a) the total number of agreements entered into by the licensee, categorised by location and the type of exclusion, modification or restriction</p> <hr/> <p>b) the number of agreements entered into by the licensee during the reporting period, categorised by location and the type of exclusion, modification or restriction</p> <hr/> <p>c) the total number of agreements entered into by the licensee, categorised by location and by land use</p> <hr/> <p>d) the number of agreements entered into by the licensee during the reporting period, categorised by location and by land use</p>	The Shire has no customer contracts.	N/A
Clause 6	Customer Surveys		
6.1	The Authority may require the licensee to commission an independent customer survey which must address and conform to the conditions and parameters set out	Not required.	N/A



Licence Clause or Schedule	The Licence Obligation	System established by the Licensee to comply with obligations of Licence	Compliance Scale
	in writing by the Authority		
Schedule 4	Service & Performance Standards		
Clause 1	Customer Service Standards		
1.1	Emergency Response		
	<p>The licensee shall provide an emergency telephone advice system such that customers need make only one telephone call to report an emergency and that the customer shall be advised of the nature and timing of the action to be undertaken by the licensee in accordance with the following corresponding performance indicator / target:</p> <p>90% of customers within one hour of reporting an emergency shall be advised of the nature and timing of the action to be undertaken by the licensee.</p>	<p>The Shire provides emergency phone numbers in Customer Service Charter and on website. Shire currently investigating installing phone system to provide one emergency number.</p> <p>All emergency callers were advised of nature and timing of action to be undertaken within one hour.</p> <p>The ERA review of the Customer Services Charter noted that the Emergency Assistance paragraph 1.5 may be confusing.</p>	3
Clause 2	Customer Complaints		
2.1	Customer Complaints		
	<p>The Licensee shall respond to customer complaints in accordance with the following standard:</p> <p>90% of customer complaints to be resolved within 15 business days.</p>	<p>One complaint received during the audit period and resolved within 15 days.</p>	4
Clause 3	Sewerage Services		
3.1	Continuity and Overflows		
	<p>The licensee must comply with the following:</p> <p>In the preceding 12 months there were fewer than 40 blockages per 100km of sewer main.</p> <p>In the preceding 12 month period 90% of the connected properties experience no sewage overflows.</p>	<p>The 2007/08 rate of sewer main blockages was 27 per 100km, which is below the target of 40 per 100km.</p> <p>The Shire has had no overflows during the audit period, therefore over 90% of customers have experience no overflows.</p>	4



Licence Clause or Schedule	The Licence Obligation	System established by the Licensee to comply with obligations of Licence	Compliance Scale
Schedule 5	Information Requirements (Reporting)		
Clause 2	Benchmarking and Performance Monitoring Information		
2.1	The licensee will provide the Authority with data required for performance monitoring purposes as set out in the Water Compliance Reporting Manual as amended from time to time	Required information submitted on time to ERA on Aug 07 and July 08.	4
Clause 3	Incident Reports		
3.1	The licensee must inform the Authority in writing within three business days of the occurrence of any of the following incidents:		
	a) any overflows from sewerage services or sewerage works that requires the licensee to notify the Department of Environment and Conservation under section 72 of the Environmental Protection Act 1986	No incidences have occurred during the audit period.	N/A
	b) disruption of sewerage services to a customer(s) for a period exceeding 24 hours		
	c) any incident related to water services works or the operation of water services that has been reported to another regulatory authority or public authority, such as the Department of Health		
3.2	In informing the Authority of the incident(s) under 3.1, the licensee must provide the following information to the Authority:	No incidences have occurred during the audit period.	N/A
	a) a detailed description of the incident, including, without limitation, the following details:		
	(i) date of the incident		
	(ii) nature and extent of any interruption caused by the incident		
	(iii) location of the incident		
	(iv) number of services and customers affected by the incident		
	b) any action the licensee has taken or		



Licence Clause or Schedule	The Licence Obligation	System established by the Licensee to comply with obligations of Licence	Compliance Scale
	intends to take to rectify the incident as well as any measures the licensee intends to implement to minimise the risk of such an incident recurring		
	c) any other information required by the Authority in writing with respect to the incident		
Schedule 6	Other Provisions		
Clause 2	Obligations to Customers: Availability and Connection of Services		
2.1	The licensee must set out in writing its 'conditions for connection' and make that information available to all applicants for connection and to people inquiring about connection	The Shire has application forms available at reception available to customers upon request.	4
2.2	The licensee must ensure that its services are available for connection on request to any land situated in Operating Areas, subject to the applicant meeting any conditions the licensee may determine to endure safe, reliable and financially viable supply of services to land in the Operating Areas in accordance with the Operational Licence and any Water Acts. Satisfactory compliance with the conditions of connection is to be taken as forming an essential requirement of gaining approval for connection to the licensee's schemes	All residential land within town boundary where it's financially viable has sewer available. Unsewered low occupied areas can connect if they pay for the extension	4
2.3	The licensee may, with the written agreement of the property owner, discontinue a service to a property where the servicing of the property is not commercially viable	No disconnections during audit period.	N/A
Operational Licence	Other Clauses		
Clause 4	Fees		
4.1	The licensee must pay the applicable fees in accordance with the Regulations.	The Shire has paid any applicable fees.	4



Licence Clause or Schedule	The Licence Obligation	System established by the Licensee to comply with obligations of Licence	Compliance Scale
Clause 5	Compliance		
5.1	Subject to any modifications or exemptions granted pursuant to the Water Services Licensing Act 1995, the licensee must comply with any applicable legislation.	The Shire complies with applicable legislation.	4
5.2	The Authority may direct the licensee in writing to do any measure necessary to: a) correct the breach of any applicable legislation; or b) prevent the breach of any applicable legislation occurring again.	Not required during the audit period	N/A
Clause 15	Accounting Records		
15.1	The licensee must maintain accounting records that comply with Australian Accounting Standards Board Standards.	The Shire uses Synergy Soft to kept account records and audits completed twice a year.	4
Clause 16	Operational Audit		
16.1	The licensee must, unless otherwise notified in writing by the Authority, provide the Authority with an operational audit within 24 months after the commencement date, and every 24 months thereafter.	Last audit completed January 2006.	4
16.2	The licensee must comply, and must require the licensee's auditor to comply, with the Authority's standard audit guidelines dealing with the operational audit, including any minimum requirements relating to the appointment of the auditor, the scope of the audit, the conduct of the audit and the reporting of the results of the audit.	Audits completed in accordance with guidelines.	4
16.3	The licensee may seek a review of any of the requirements of the Authority's standard audit guidelines in accordance with clause 24.1.	The Shire has not requested any review of the ERA's guidelines.	N/A



Licence Clause or Schedule	The Licence Obligation	System established by the Licensee to comply with obligations of Licence	Compliance Scale
16.4	The independent auditor may be nominated by the licensee but must be approved by the Authority prior to the audit pursuant to clause 16.1. Should the Authority reject the licensee's nomination of an independent auditor twice or, in the event that no nomination has been made by the licensee within one month of the date the audit was due, the Authority may choose an independent auditor who will conduct the audit.	Not required.	N/A
Clause 17 Asset Management System			
17.1	The licensee must provide for, and notify the Authority of, an asset management system in respect of the licensee's assets within two business days from the commencement date unless otherwise notified in writing by the Authority.	The Shire has AMP dated November 2006 which needs updating and implementing. The AMP was received and acknowledged by ERA in July 2007	4
17.2	The licensee must notify the Authority of any material change to the asset management system within 10 business days of such change.	No material change during audit period.	N/A
17.3	The licensee must, unless otherwise notified in writing by the Authority within 24 months after the commencement date and every 24 months thereafter:		
	(a) conduct an asset management system review;	Last audit completed January 2006.	4
	(b) provide the Authority with a report on the asset management system review.	Last audit completed January 2006.	4
17.4	The licensee must comply, and must require the licensee's expert to comply, with the Authority's standard guidelines dealing with the asset management system review, including any minimum requirements relating to the appointment of the expert, the scope of the review, the conduct of the review and the reporting of the results of the review.	Audits completed in accordance with guidelines.	4
17.5	The licensee may seek a review of any of the requirements of the Authority's standard guidelines dealing with the asset management system review in accordance with clause 24.1.	The Shire has not requested any review of the ERA's guidelines.	N/A



Licence Clause or Schedule	The Licence Obligation	System established by the Licensee to comply with obligations of Licence	Compliance Scale
17.6	The independent expert may be nominated by the licensee but must be approved by the Authority prior to the review pursuant to clause 17.3. Should the Authority reject the licensee's nomination of an independent expert twice or, in the event that no independent expert has been nominated by the licensee within one month of the date the review was due, the Authority may choose an independent expert who will conduct the review.	Not required.	N/A
Clause 18	Reporting		
18.1	The licensee must report to the Authority:		
	a) if the licensee is under external administration as defined by the Corporations Act 2001 (Cwlth) within 2 business days; or	Has not occurred during audit period.	N/A
	b) if the licensee experiences a significant change in the licensee's corporate, financial or technical circumstances upon which may affect the licensee's ability to meet its obligations under the licence within 10 business days of the change occurring.	Has not occurred during audit period.	N/A
Clause 19	Individual Performance Standards		
19.2	The Authority may prescribe individual performance standards in relation to the licensee of its obligations under the licence or the applicable legislation.	The ERA has prescribed individual performance standards.	4
19.3	Before approving any individual performance standards under this clause, the Authority will:		
	a) provide the licensee with a copy of the proposed individual performance standards;	The Shire has not requested any review of the ERA's performance standards.	N/A
	b) allow 15 business days for the licensee to make submissions on the proposed individual performance standards; and		
	c) take into consideration those submissions.		



Licence Clause or Schedule	The Licence Obligation	System established by the Licensee to comply with obligations of Licence	Compliance Scale
19.4	Once approved by the Authority, the individual performance standards are included as additional terms and conditions to the licence under Sch. 4.	Performance standards included as Schedule. 4.	4
Clause 21.1 Provision of Information			
	The licensee must provide to the Authority any information that the Authority may require in connection with its functions under the Water Services Licensing Act 1995 in the time, manner and form specified by the Authority.	The Shire has provided required information.	4
Clause 22 Publishing Information			
22.1	The Authority may direct the licensee to publish any information within a specified timeframe it considers relevant in connection with the licensee or the performance by the licensee of its obligations under the licence.	The ERA requested the Shire to advertise its reviewed Customer Service Charter.	4
22.2	Subject to clause 22.3 the licensee must publish the information referred to in clause 22.1	The Shire advertised the Customer Service Charter.	4
22.3	If the licensee considers that the information is confidential it must: a) immediately notify the Authority; and b) seek a review of the Authority's decision.	Not applicable	N/A
22.4	Once the Authority has reviewed the decision it will direct the licensee in accordance with the review to: a) publish the information; b) publish the information with the confidential information removed or modified; or c) not publish the information.	Not required	N/A
Clause 23 Notices			
23.1	Unless otherwise specified, all notices must be in writing.	The Shire has not issued any notices during the audit period.	N/A
23.2	A notice will be regarded as having been sent and received:	The Shire has not issued any notices during the	N/A



Licence Clause or Schedule	The Licence Obligation	System established by the Licensee to comply with obligations of Licence	Compliance Scale
		audit period.	
	a) when delivered in person to the addressee; or		
	b) 3 business days after the date of posting if the notice is posted in Western Australia; or		
	c) 5 business days after the date of posting if the notice is posted outside Western Australia; or		
	d) if sent by facsimile when, according to the sender's transmission report, the notice has been successfully received by the addressee; or		
	e) if sent by email when, according to the sender's electronic record, the notice has been successfully sent to the addressee's water licensing email address.		
Previous Licence	Other Clauses		
Clause 8	Technical Standards		
	The Licensee is to comply with the technical standards for the provision of Water Services; and the undertaking, maintenance and operation of Water Services works; published by the Authority in the Government Gazette.	No requirements outlined in Government Gazette.	N/A
Clause 9	Industry Codes		
	The Licensee shall observe the Sewerage Code of Australia WSA 02 1999 in the design and construction of sewerage systems.	Original design and subsequent modifications and extensions are in accordance with the code.	4
Clause 11	Prices or Charges		
	In setting prices or charges for services to Customers the Licensee shall comply with the relevant provisions and regulations of the Health Act 1911 and the Local Government Act 1995.	Yes, prices or charges are within the guidelines of the Act and are advertised. The prices or charges are less than maximum.	4
Clause 12	Methods or Principles to be Applied In The Provision of Water Services		



Licence Clause or Schedule	The Licence Obligation	System established by the Licensee to comply with obligations of Licence	Compliance Scale
	a) Notwithstanding the engagement of any person or persons to provide Water Services on its behalf, the Licensee remains responsible to ensure those services comply with the terms and conditions of the Licence and with the relevant legislation.	All employees and contractors comply with the terms and conditions of the Licence and relevant legislation.	4
	b) The Licensee shall ensure that its Water Services are available for Connection on request to any land situated in the Operating Area, subject to the applicant meeting any reasonable conditions the Licensee may determine to ensure safe, reliable and financially viable supply of services to land in the Operating Area in accordance with this Licence and any relevant legislation. Satisfactory compliance with the conditions of Connection is an essential requirement of gaining approval to connect to the Licensee's schemes.	All residential land within town boundary where it's financially viable has sewer available. Unsewered low occupied areas can connect if they pay for the extension.	4
Clause 14	Specified Information to be Provided		
	c) The Licensee shall report the information set out in Schedule 3 of the previous licence. The reports are due within 30 days of the end of each financial year.	Required information submitted on time to ERA on Aug 07 and July 08.	4
Clause 15	Performance of Functions by The Licensee		
	b) The Licensee shall provide annual notification to all Customers provided with non potable water that the water supplied is not suitable for drinking.	The Shire uses treated effluent on their parks and gardens. All areas have warning signage.	3
Clause 17	Obligations to Public Authorities and Other Licensees		
	Wastewater treatment plants operated by the Licensee shall have relevant Licences from the Department of Environmental Protection and be operated in compliance with those Licences.	The Shire has current licences from the Department of Environment and Conservation.	4

The results of the operational audit are summarised in Table 4.



Table 6 Operational Audit Summary

Licence Obligation	Operating Licence Reference (Sch=Schedule, Cl=Clause)	Compliance Rating (refer to the 5-point rating scale in Table 1 for details)					
		1	2	3	4	5	N/A
From Previous Licence Dated 6 August 2008							
Operating Areas - Correct operating area	Sch. 2				4		
Customer Provisions	Sch. 3						
Customer service charter	Cl. 2			3			
Customer complaints	Cl. 3			3			
Customer consultation	Cl. 4		2				
Customer contracts	Cl. 5						X
Customer surveys	Cl. 6						X
Service and Performance Standards	Sch. 4						
Emergency Response	Cl. 1			3			
Customer Complaints	Cl. 2				4		
Sewerage Services	Cl. 3				4		
Information Requirements (Reporting)	Sch. 5						
Benchmarking and Performance Monitoring Information	Cl. 2				4		
Incident Reports	Cl. 3						X
Other Provisions -	Sch. 6						
Obligations to customers: Availability and Connection of Services	Cl. 2				4		
Fees	Cl. 4				4		
Compliance	Cl. 5				4		
Accounting Records	Cl. 15				4		
Operational Audit	Cl. 16				4		
Asset Management System Review	Cl. 17				4		
Reporting	Cl. 18						X



Licence Obligation	Operating Licence Reference (Sch=Schedule, Cl=Clause)	Compliance Rating (refer to the 5-point rating scale in Table 1 for details)					
From Previous Licence Dated 6 August 2008		1	2	3	4	5	N/A
Individual Performance Standards	Cl. 19				4		
Provision of Information	Cl. 21.1				4		
Publishing Information	Cl. 22				4		
Notices	Cl. 23						X
From Previous Licence Dated 4 November 2004							
Technical Standards	Cl. 8						X
Industry Codes	Cl. 9				4		
Prices or Charges	Cl. 11				4		
Methods or Principles to be Applied In The Provision of Water Services	Cl. 12				4		
Specified Information to be Provided	Cl.14(c)				4		
Performance of Functions by The Licensee	Cl. 15(b)			3			
Obligations to Public Authorities and Other Licensees	Cl. 17				4		



4. Asset Management System Review

The Shire's Asset Management System comprises the asset register, asset management plan, as constructed drawings, operational and maintenance plans. Information, such as, the Levels of Service, asset performance, asset descriptions and condition have been partly captured and documented in the Shire's asset management plan. The Asset Management systems are basic, but understood by the Shire's staff.

While the current systems provide a basic maintenance management system, the Shire does not have a standalone Asset Management Software System and needs to update and implement its asset management plan. The asset management plan contains an improvement program which has not been completed.

Table 7 Asset Management Review Checklist

1. Asset Planning	Compliance	Comments
Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning	2	Plans and objectives are included in the AMP, but needs updating and implementing.
Service levels are defined	2	Service levels stated in AMP, but not complete or implemented.
Non-asset options (eg demand management) are considered	3	Demand management covered in the AMP.
Lifecycle costs of owning and operating assets are assessed	2	Asset value included in AMP, but needs updating and expanding.
Funding options are evaluated	4	Funding options are investigated and are included in the Shire's "Plan for the Future" plan.
Costs are justified and cost drivers identified	4	Costs are monitored and reviewed using the Shire's Budget.
Likelihood and consequences of asset failure are predicted	2	Likely failures understood by staff, but not documented.
Plans are regularly reviewed and updated	1	Plans in AMP have not been reviewed since its creation Nov 2006.



2. Asset Creation and Acquisition	Compliance	Comments
Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solution	3	Shire uses purchase policy for new assets and utilises the Western Australian Local Government Association supply contracts.
Evaluations include all life-cycle costs	3	Life cycle costs are evaluated, however there have not been any large projects to warrant it.
Projects reflect sound engineering and business decisions	4	Shire uses consultants for large projects.
Commissioning tests are documented and complete	2	Tests completed for pumping systems, however minimal documentation.
Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood	3	Obligations understood by staff and included in AMP.

3. Asset Disposal	Compliance	Comments
Under-utilised and under-performing assets are identified as part of a regular systematic review process	1	Assets levels of service contained in AMP, but not monitored.
The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken	1	Shire examines performance when asset fails.
Disposal alternatives are evaluated	3	Asset disposal included in AMP.
There is a replacement strategy for assets	3	Replacement strategy included in AMP.

4. Environmental Analysis	Compliance	Comments
Opportunities and threats in the system environment are assessed	2	Understood by staff and partly mention in AMP.
Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved	2	Shire operates sewer system effectively, but completes minimal measurements including WWTP output.
Compliance with statutory and regulatory requirements	4	Shire complies with requirements.
Achievement of customer service levels	4	Customer Service Levels have been achieved.



5. Asset Operations	Compliance	Comments
Operational policies and procedures are documented and linked to service levels required	2	Understood by staff, however minimal documented operational policies and procedures.
Risk management is applied to prioritise operations tasks	0	Risk management not completed.
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	3	Detailed asset register exists, however needs updating.
Operational costs are measured and monitored	3	Shire regularly reviews budget to measure and monitor operational costs.
Staff receive training commensurate with their responsibilities	4	Staff receive regular training.

6. Asset Maintenance	Compliance	Comments
Maintenance policies and procedures are documented and linked to service levels required	2	Understood by staff, however minimal documented maintenance policies and procedures.
Regular inspections are undertaken of asset performance and condition	3	Regular inspections undertaken of assets, however not in line with plan in AMP.
Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule	2	Maintenance plan included in AMP, however Shire uses a different schedule.
Failures are analysed and operational/maintenance plans adjusted where necessary	3	Shire adjusts operational and maintenance plans as required when failure occurs.
Risk management is applied to prioritise maintenance tasks	0	Risk management not undertaken.
Maintenance costs are measured and monitored	3	Shire regularly reviews budget to measure and monitor maintenance costs.



7. Asset Management Information System	Compliance	Comments
Adequate system documentation for users and IT operators	1	Asset management plan and register located on computer system, however not used. No documentation for users.
Input controls include appropriate verification and validation of data entered into the system	0	No verification of data undertaken.
Logical security access controls appear adequate, such as passwords	3	Shire has password access to computers.
Physical security access controls appear adequate	3	Shire's IT equipment protected by locked doors.
Data backup procedures appear adequate	3	Daily tape backup and kept offsite.
Key computations related to licensee performance reporting are materially accurate	3	Reports created are accurate.
Management reports appear adequate for the licensee to monitor licence obligations	1	Licence obligations understood by staff and adequate reports completed, but AMIS not used to produce reports.

8. Risk Management	Compliance	Comments
Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system	0	Not undertaken.
Risks are documented in a risk register and treatment plans are actioned and monitored	0	Not undertaken.
The probability and consequences of asset failure are regularly assessed	1	Understood by staff, but not documented.

9. Contingency Planning	Compliance	Comments
Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks	1	Shire has capacity to handle emergencies, however no documented contingency plan exists.



10. Financial Planning	Compliance	Comments
The financial plan states the financial objectives and strategies and actions to achieve the objectives	3	Shire's "Plan for the Future" plan contains objectives, strategies and actions, however AMP objectives need to be amended to match.
The financial plan identifies the source of funds for capital expenditure and recurrent costs	4	The Shire's budget identifies source of funds. Funds obtained from sewer rates used only for sewerage system.
The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets)	4	Budget identifies previous year financial position and statements.
The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period	3	Shire's "Plan for the Future" plan and AMP contains five year predictions. AMP needs amending to match.
The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services	3	Included in Shire's "Plan for the Future" plan and AMP. AMP needs amending to match.
Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary	4	Yes. Shire reviews its budget expenditure three times a year.

11. Capital Expenditure Planning	Compliance	Comments
There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates	3	Capital expenditure plan included in AMP. Needs reviewing.
The plan provide reasons for capital expenditure and timing of expenditure	3	Detailed replacement program included in AMP, however the Shire has no capital expenditure planned.
The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan	3	Capital expenditure plan in AMP takes into account assets life and condition. Needs updating.
There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned	0	No review process exists.



12. Review of Asset Management System	Compliance	Comments
A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current	0	No review process in place. AMP needs reviewing.
Independent reviews (eg internal audit) are performed of the asset management system	2	Shire audits system every three years, however licence requires every two.

The results of the asset management system audit are summarised in Table 8.

Table 8 Asset Management System Audit Summary

Asset Management System	Not performed	Performed Informally	Planned and Tracked	Well Defined	Quantitatively Controlled	Continuously Improving
Process Rating	0	1	2	3	4	5
Asset Planning			2			
Asset Creation and Acquisition				3		
Asset Disposal			2			
Environmental Analysis				3		
Asset Operations			2			
Asset Maintenance			2			
Asset Management Information			2			
Risk Management	0					
Contingency Planning		1				
Financial Planning				3		
Capital Expenditure Planning			2			
Review of AMS		1				



5. Conclusions and Recommendations

The outcome of the inspection of the water services assets and interviews with the Shire of Coolgardie staff was that the systems are operated effectively, within the current standards and code requirements and present minimal risks to the Shire’s customers and residents. While, the level of documentation and management systems is very basic, these are generally adequate for the number and complexity of the water services assets.

The Shire has no growth and planned refurbishment/replacement of assets has not been required.

Overall the Shire’s operation of the Water Services Licence is compliant with major or material requirements of the Licence. The following recommendations are provided to improve the strength of internal controls and to maintain compliance. The primary deficiencies with the operation of the Water Services Licence are in the area of asset management plan, auditing, availability of the customer service charter, recording compliant outcomes and customer consultation.

The primary deficiencies with the Shire’s asset management system are in the areas of risk analysis, contingency plans and planning, creation and disposal for assets.

The improvement program included in the AMP requires completing and the AMP needs to be reviewed and updated. The Shire also needs to create and implement policies and procedures for using its

basic AMIS to keep track of activities.

5.1 Operational Audit

The following recommendations are provided to improve the compliance of the City’s Operating Licence:

Table 9 Operational Audit Recommendations

Licence Clause	Licence Obligation	Score	Issues Identified	Recommendation
Operational Licence				
Clause 17.1 - Asset Management System	The licensee must provide for, and notify the Authority of, an asset management system in respect of the licensee’s assets within two business days from the commencement date unless otherwise notified in writing by the Authority.	2	The Shire has AMP dated November 2006 which needs updating and implementing. No evidence of ERA approval.	Update and expand the AMP and AMIS to include the information identified in Table 10 below. Advise the ERA once the updated system has been implemented.



Licence Clause	Licence Obligation	Score	Issues Identified	Recommendation
Clause 17.3 - Asset Management System	<p>The licensee must, unless otherwise notified in writing by the Authority within 24 months after the commencement date and every 24 months thereafter:</p> <p>(a) conduct an asset management system review;</p> <p>(b) provide the Authority with a report on the asset management system review.</p>	4	The AMS was last audited in January 2006, has not been reviewed within the 24 month timeframe and contains out of date information.	Revise the AMS and advise the Authority when the relevant items in the Post-Audit Implementation Plan have been completed.
Schedule 3 Customer Provisions				
Clause 2.5 - Customer Service Charter	<p>The licensee must make the Customer Service Charter available to its customers in the following ways:</p> <p>a) by prominently displaying it in those parts of the licensee's offices to which customers regularly have access</p>	2	Customer Service Charter was displayed on noticeboard, but was removed during the review process.	Shire to prominently display the CSC.
	<p>c) by sending a current copy, or a summary document approved by the authority, to all customers at least once in every three year period or as agreed with the authority.</p>	1	Customer Service Charter not sent to customers.	Create a summary version of the Customer Service Charter including basic information about the Shire's operations and attach to annual rate notices. Include in AMP.
Clause 3.1 – Customer Complaints	Subject to clause 3.8, the licensee must have in place, a properly resourced process for effectively receiving, recording and (where possible) resolving customer complaints within a timeframe of 15 business days	3	The Shire uses section 2.9 of the Customer Service Charter to resolve complaints within 14 days, however the resolution of complaints not recorded.	Expand the customer complaints process to include documentation of the resolution outcomes.



Licence Clause	Licence Obligation	Score	Issues Identified	Recommendation
Clause 3.9(a) - Customer Complaints	To ensure the effectiveness of such a process the licensee must, as a minimum: a) record details of each customer complaint and its outcome	2	The Shire records and documents complaints, but not the outcomes.	Expand current compliant log system to include complaint outcomes.
Clause 4.1(b)(ii) - Customer Consultation	The licensee must establish ongoing customer consultation processes which both inform customers and proactively solicit customer opinion on the licensee's operation and delivery of services, the licensee may either: b) institute at least two of the following: (ii) Publishing a simple newsletter providing basic information about the licensee's operations	2	A brief description of sewer services was provided on rate notices; however the basic information on the Shire's operation of the services and Customer Service Charter was not detailed.	Create a summary version of the Customer Service Charter including basic information about the Shire's operations and attach to annual rate notices.
Clause 4.2 - Customer Consultation	The Authority must be consulted with respect to the type and extent of customer consultation to be adopted by the licensee	1	ERA was not consulted.	Consult with the ERA on the type and extent of customer consultation.



Licence Clause	Licence Obligation	Score	Issues Identified	Recommendation
Schedule 4	Services & Performance Standards			
Clause 1.1 – Emergency Response	<p>The licensee shall provide an emergency telephone advice system such that customers need make only one telephone call to report an emergency and that the customer shall be advised of the nature and timing of the action to be undertaken by the licensee in accordance with the following corresponding performance indicator / target:</p> <p>90% of customers within one hour of reporting an emergency shall be advised of the nature and timing of the action to be undertaken by the licensee.</p>	3	<p>The Shire provides emergency phone numbers in Customer Service Charter and on website. Shire currently investigating installing phone system to provide one emergency number.</p> <p>All emergency callers were advised of nature and timing of action to be undertaken within one hour.</p> <p>The ERA review of the Customer Services Charter noted that the Emergency Assistance paragraph 1.5 may be confusing.</p>	Redraft Section 1.5 of the Customer Services Charter to clarify the Emergency Call-Out system and process.

5.2 Asset Management Review

The following improvements are recommended for the Asset Management System:

Table 10 Asset Management Review Recommendations

Asset Management Process	Effectiveness Criteria	Effectiveness Rating	Issues Identified	Recommendation
Asset Planning	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning	2	Plans and objectives included in the AMP, but needs updating and implementing.	Update plans and objectives in AMP and implement.



Asset Management Process	Effectiveness Criteria	Effectiveness Rating	Issues Identified	Recommendation
	Service levels are defined	2	Service levels stated in AMP, but not complete or implemented.	Identify service levels and include in AMP.
	Lifecycle costs of owning and operating assets are assessed	2	Asset value included in AMP, but needs updating and expanding to include operating costs.	Update asset values in AMP and include lifecycle costs such as operational costs.
	Likelihood and consequences of asset failure are predicted	2	Likely failures understood by staff, but not documented.	Identify and document likelihood and consequences of asset failure in AMP.
	Plans are regularly reviewed and updated	1	Plans in AMP have not been reviewed since its creation Nov 2006.	Create and implement a reminding procedure to ensure AMP is regularly reviewed and updated.
Asset Creation and Acquisition	Commissioning tests are documented and complete	2	Tests completed for pumping systems, however minimal documentation.	Create and implement commissioning process for assets and include in the AMP.
Asset Disposal	Under-utilised and under-performing assets are identified as part of a regular systematic review process	1	Assets levels of service contained in AMP, but not monitored.	Create and implement a process for identifying capacity of assets and recording past performance. Include in AMP.
	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken	1	Shire examines performance when asset fails.	Create and implement a review process for when under or poor performing assets are identified and include in AMP.



Asset Management Process	Effectiveness Criteria	Effectiveness Rating	Issues Identified	Recommendation
Environmental Analysis	Opportunities and threats in the system environment are assessed	2	Understood by staff and partly mention in AMP.	Conduct SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis and include in AMP
	Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved	2	Shire operates sewer system effectively, but completes minimal measurements including WWTP output.	Identify and document performance requirements for all assets. Create and implement monitoring procedures for assets. Include in AMP.
Asset Operations	Operational policies and procedures are documented and linked to service levels required	2	Understood by staff, however minimal documented operational policies and procedures.	Create, document and implement operational policies and procedures and link to service levels required. Include in AMP.
	Risk management is applied to prioritise operations tasks	0	Risk management not completed.	Create and implement a regular review procedure for the operational schedule to prioritise tasks based on risk management.
	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	3	Detailed asset register exists, however needs updating.	Create and implement an update process for the assets register and include in AMP.
Asset Maintenance	Maintenance policies and procedures are documented and linked to service levels required	2	Understood by staff, however minimal documented maintenance policies and procedures.	Create, document and implement maintenance policies and procedures and link to service levels required. Include in AMP.



Asset Management Process	Effectiveness Criteria	Effectiveness Rating	Issues Identified	Recommendation
	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule	2	Maintenance plan included in AMP, however Shire uses a different schedule.	Amend AMP to reflect current maintenance schedule.
	Risk management is applied to prioritise maintenance tasks	0	Risk management not undertaken.	Create and implement a regular review procedure for the maintenance schedule to prioritise tasks based on risk management.
Asset Management Information System	Adequate system documentation for users and IT operators	1	Asset management plan and register located on computer system, however not used. No documentation for users.	Train staff in the AMIS use and implement.
	Input controls include appropriate verification and validation of data entered into the system	0	No verification of data undertaken.	Create data verification procedure for updating asset data in AMIS.
	Management reports appear adequate for the licensee to monitor licence obligations	1	Licence obligations understood by staff and adequate reports completed, but AMIS not used to produce reports.	Train staff in the AMIS use and implement.
Risk Management	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system	0	Not undertaken.	Identify risks and create risk management procedures and policies. Include in AMP. Ensure policy includes risk reviewing procedure.



Asset Management Process	Effectiveness Criteria	Effectiveness Rating	Issues Identified	Recommendation
	Risks are documented in a risk register and treatment plans are actioned and monitored	0	Not undertaken.	Create, implement and monitor risk register and include in AMP.
	The probability and consequences of asset failure are regularly assessed	1	Understood by staff, but not documented.	Create and document risk register including the treatment and consequences of asset failure. Include in AMP.
Contingency Planning	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks	1	Shire has capacity to handle emergencies, however not documented contingency plan exists.	Create and implement a Contingency Plan and include in AMP.
Financial Planning	The financial plan states the financial objectives and strategies and actions to achieve the objectives	3	Shire's "Plan for the Future" plan contains objectives, strategies and actions, however AMP objectives needs to be amended to match.	Amend AMP to match current plan.
	The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period	3	Shire's "Plan for the Future" plan and AMP contains five year predictions. AMP needs amending to match.	Amend AMP to match current plan.



Asset Management Process	Effectiveness Criteria	Effectiveness Rating	Issues Identified	Recommendation
	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services	3	Included in Shire's "Plan for the Future" plan and AMP. AMP needs amending to match.	Amend AMP to match current plan.
Capital Expenditure Planning	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates	3	Capital expenditure plan included in AMP. Needs reviewing.	Review and update plan in AMP.
	The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan	3	Capital expenditure plan in AMP takes into account assets life and condition. Needs updating.	Review and update plan in AMP.
	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned	0	No review process exists.	Create and implement a reminding procedure to ensure the plan is regularly reviewed and updated.
Review of Asset Management System	A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current	0	No review process in place. AMP needs reviewing.	Create asset management review procedure to ensure system is reviewed regularly.
	Independent reviews (eg internal audit) are performed of the asset management system	2	Shire audits system every three years, however licence requires every two.	Create and implement a reminding procedure to ensure audits are completed every 24 months.



5.3 Conclusion

The Shire's wastewater services systems are generally in reasonable condition and operated effectively by the Shire's staff.

The staff's attitude to continuous improvement and their high motivation levels are admirable, and bode well for further improvement in scheme operational efficiency and effectiveness over the next audit period.

The suggested improvements to the operational/performance with regard to the Operating Licence and Asset Management System should provide the Shire with an assurance that the wastewater system can continue to perform effectively.

5.4 Compliance Statement

James Alexander, GHD's Civil Engineer for the Kalgoorlie Office has prepared this report for the City.

It is certified that the "Economic Regulation Authority – Audit Guidelines – Electricity, Gas and Water Licences – September 2006" have been followed in conducting the review, making the review findings and preparing the report.

The assessment, findings and recommendations contained in this report reflect the professional opinion of Reviewer.

James Alexander

November 2009



6. Post-Audit Implementation Plan

6.1 Implementation Plan

The following Post-Audit Implementation Plan is to be completed by the Shire.

Table 11 Operational Post Audit Implementation Plan

Clause	Recommended Action	Responsible Position	Date Action to be completed
Operational Licence			
Clause 17.1 - Asset Management System	Update and expand the AMP and AMIS to include the information identified in Table 10 below.	MRDS, MCS Consultant	JUNE 10
	Advise the ERA once the updated system has been implemented.	MRDS/CEO	JULY 10
Clause 17.3 - Asset Management System	Revise the AMS and advise the Authority when the relevant items in the Post-Audit Implementation Plan have been completed.	MRDS	JULY 10
Schedule 3 - Customer Provisions			
Clause 2.5 - Customer Service Charter	Shire to prominently display the CSC.	MCS	NOV 09
	Create a summary version of the Customer Service Charter including basic information about the Shire's operations and attach to annual rate notices. Include in AMP.	MRDS MCS	AUG 10
Clause 3.1 – Customer Complaints	Expand the customer complaints process to include documentation of the resolution outcomes.	MCS	AUG 10
Clause 3.9(a) - Customer Complaints	Expand current compliant log system to include complaint outcomes.	MCS	MAY 10
Clause 4.1(b)(ii) - Customer Consultation	Create a summary version of the Customer Service Charter including basic information about the Shire's operations and attach to annual rate notices.	MRDS MCS	AUG 10
Clause 4.2 - Customer Consultation	Consult with the ERA on the type and extent of customer consultation.	MRDS	AUG 10
Schedule 4 Services & Performance Standards			
Clause 1.1 – Emergency Response	Redraft Section 1.5 of the Customer Services Charter to clarify the Emergency Call-Out system and process.	MRDS MCS	APRIL 10



Table 12 Asset Management System Post-Audit Implementation Plan

Asset Management Process	Recommended Action	Responsible position	Date action to be completed
Asset Planning	Update plans and objectives in AMP and implement.	MCS/MTS	JUNE 10
	Identify service levels and include in AMP.	MCS/MTS	JUNE 10
	Update asset values in AMP and include lifecycle costs such as operational costs.	MCS/MTS	JUNE 10
	Identify and document likelihood and consequences of asset failure in AMP.	MTS	JUNE 10
	Create and implement a reminding procedure to ensure AMP is regularly reviewed and updated.	MRDS	MARCH 10
Asset Creation and Acquisition	Create and implement commissioning process for assets and include in the AMP.	MCS/MTS	MARCH 10
Asset Disposal	Create and implement a process for identifying capacity of assets and recording past performance. Include in AMP.	MTS	MARCH 10
	Create and implement a review process for when under or poor performing assets are identified and include in AMP.	MTS	MARCH 10
Environmental Analysis	Conduct SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis and include in AMP	MRDS/MTS CONSULTANT	JUNE 10
	Identify and document performance requirements for all assets. Create and implement monitoring procedures for assets. Include in AMP.	MTS	JUNE 10
Asset Operations	Create, document and implement operational policies and procedures and link to service levels required. Include in AMP.	MTS	APRIL 10
	Create and implement a regular review procedure for the operational schedule to prioritise tasks based on risk management.	MTS	APRIL 10
	Create and implement an update process for the assets register and include in AMP.	MCS	APRIL 10



Asset Management Process	Recommended Action	Responsible position	Date action to be completed
Asset Maintenance	Create, document and implement maintenance policies and procedures and link to service levels required. Include in AMP.	MTS	APRIL 10
	Amend AMP to reflect current maintenance schedule.	MTS/MRDS	APRIL 10
	Create and implement a regular review procedure for the maintenance schedule to prioritise tasks based on risk management.	MTS	APRIL 10
Asset Management Information System	Train staff in the AMIS use and implement.	MTS	MARCH 10
	Create data verification procedure for updating asset data in AMIS.	MTS	MARCH 10
	Train staff in the AMIS use and implement.	MTS	MARCH 10
Risk Management	Identify risks and create risk management procedures and policies. Include in AMP.	MTS	MARCH 10
	Ensure policy includes risk reviewing procedure.	MTS	MARCH 10
	Create, implement and monitor risk register and include in AMP.	MTS	MARCH 10
	Create and document risk register including the treatment and consequences of asset failure. Include in AMP.	MTS	MARCH 10
Contingency Planning	Create and implement a Contingency Plan and include in AMP.	MTS	MARCH 10
Financial Planning	Amend AMP to match current plan.	MCS	MARCH 10
	Amend AMP to match current plan.	MCS	MARCH 10
	Amend AMP to match current plan.	MCS	MARCH 10
Capital Expenditure Planning	Review and update plan in AMP.	MCS/MTS	MARCH 10
	Review and update plan in AMP.	MCS/MTS	MARCH 10
	Create and implement a reminding procedure to ensure the plan is regularly reviewed and updated.	MRDS	DEC 09
Review of Asset Management System	Create asset management review procedure to ensure system is reviewed regularly.	MRDS	DEC 09
	Create and implement a reminding procedure to ensure audits are completed every 24 months.	MRDS	DEC 09



- ▶ The CEO of the Shire is ultimately responsible for the implementation/rectification of applicable clauses/requirements. The CEO must delegate responsibility or instruct an officer of the Shire or appoint a consultant/contractor to ensure all the requirements as set out by the Licence is adhered to.
- ▶ All matters listed should be attended to. Implement those which don't comply at all, review and upgrade those which are partially implemented and review and keep those which are in place, up to date.
- ▶ All matters listed, should be fully implemented, in accordance with the Licence requirements by 31 October 2010.
- ▶ The Shire shall inform the Authority of its implementation, reviewing, upgrading program and update the Authority 6 monthly (June and December) each year of its progress (difficulties and accomplishments)
- ▶ Definitions
 - ▶ CEO – Chief Executive Officer
 - ▶ MCS – Manager Corporate Services
 - ▶ MTS – Manager Technical Services
 - ▶ MRDS – Manager Regulatory and Development Services
 - ▶ Dates in Tables above are the end of the month mentioned.

6.2 Disagreement between the auditor and licensee

None.



Appendix A

Operational and Asset Management Risk Assessment



Operational Risk Assessment

Licence Obligation	Operating Licence Reference (Sch=Schedule, Cl=Clause)	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)	Assessment of Audit Priorities (1 to 5)
From Previous Licence Dated 6 August 2008						
Operating Areas	Sch. 2					
Correct operating area		2	C	M	S	4
Customer Provisions	Sch. 3					
Customer service charter	Cl. 2	2	B	M	M	4
Customer complaints	Cl. 3	2	B	M	W	3
Customer consultation	Cl. 4	1	B	L	M	5
Customer contracts	Cl. 5	1	B	L	M	5
Customer surveys	Cl. 6	1	B	L	M	5
Service and Performance Standards	Sch. 4					
Emergency Response	Cl. 1	3	B	H	M	2
Customer Complaints	Cl. 2	2	A	H	S	2
Sewerage Services	Cl. 3	2	A	H	S	2
Information Requirements (Reporting)	Sch. 5					
Benchmarking and Performance Monitoring Information	Cl. 2	1	B	L	W	5
Incident Reports	Cl. 3	3	B	H	M	2
Other Provisions	Sch. 6					
Obligations to customers: Availability and Connection of Services	Cl. 2	2	B	M	M	4
Fees	Cl. 4	1	B	L	S	5
Compliance	Cl. 5	2	B	M	M	4



Licence Obligation	Operating Licence Reference (Sch=Schedule, Cl=Clause)	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)	Assessment of Audit Priorities (1 to 5)
Accounting Records	Cl. 15	2	B	M	M	4
Operational Audit	Cl. 16	1	B	L	M	5
Asset Management System	Cl. 17	1	B	L	M	5
Reporting	Cl. 18	1	B	L	M	5
Individual Performance Standards	Cl. 19	1	C	L	M	5
Provision of Information	Cl. 21.1	1	B	L	W	5
Publishing Information	Cl. 22	2	C	M	M	4
Notices	Cl. 23	1	C	L	M	5
From Previous Licence Dated 4 November 2004						
Technical Standards	Cl. 8	2	B	M	W	3
Industry Codes	Cl. 9	2	B	M	M	4
Prices or Charges	Cl. 11	1	C	L	S	5
Methods or Principles to be Applied In The Provision of Water Services	Cl. 12	3	C	H	S	2
Specified Information to be Provided	Cl.14(c)	2	B	M	W	3
Performance of Functions by The Licensee	Cl. 15(b)	3	B	H	S	2
Obligations to Public Authorities and Other Licensees	Cl. 17	2	C	M	S	4



Asset Management Risk Assessment

Asset Management Area		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)	Assessment of Audit Priorities (1 to 5)
1	Asset planning: Asset planning strategies are focused on meeting customer needs in the most effective and efficient manner (delivering the right service at the right price).	2	B	M	S	4
2	Asset creation and acquisition: Asset creation/acquisition means the provision or improvement of an asset where the outlay can be expected to provide benefits beyond the year of outlay.	2	B	M	S	4
3	Asset Disposal: Effective asset disposal frameworks incorporate consideration of alternatives for the disposal of surplus, obsolete, under-performing or unserviceable assets. Alternatives are evaluated in cost-benefit terms.	1	C	L	M	5
4	Environmental Analysis: Environmental analysis examines the asset system environment and assesses all external factors affecting the asset system.	2	C	M	M	4
5	Asset Operations: Operations functions relate to the day-to-day running of assets and directly affect service levels and costs.	3	B	H	S	2
6	Asset Maintenance: Maintenance functions relate to the upkeep of assets and directly affect service levels and costs.	3	B	H	S	2
7	Asset Management Information System: An asset management information system is a combination of processes, data and software that support the asset management functions	2	B	M	M	4
8	Risk Management: Risk management involves the identification of risks and their management within an acceptable level of risk.	2	B	M	W	3
9	Contingency Planning: Contingency plans	3	A	H	W	1



Asset Management Area	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)	Assessment of Audit Priorities (1 to 5)
document the steps to deal with the unexpected failure of an asset.					
10 Financial Planning: The financial planning component of the asset management plan brings together the financial elements of the service delivery to ensure its financial viability over the long term.	2	B	M	M	4
11 Capital expenditure Planning: The capital expenditure plan provides a schedule of new works, rehabilitation and replacement works, together with estimated annual expenditure on each over the next five or more years. Since capital investments tend to be large and lumpy, projections would normally be expected to cover at least 10 years, preferable longer. Projections over the next five years would usually be based on firm estimates.	2	B	M	W	3
12 Review of AMS: The asset management system is regularly reviewed and updated.	2	B	M	W	3

Definitions and notes:

The approach for analysing the compliance risks is completed firstly identifying the “Consequences” and “Likelihood” of the inherent risks (first two columns). Then secondly identify and assess the strength of existing internal controls and rate as an audit priority (last three columns).

Consequences are to be assessed as either:

1. Minor
2. Moderate
3. Major

Likelihood is an indication of how often the failure will occur during the period to be audited. The likelihood is to be assessed as either

- A. Likely
- B. Probable



C. Unlikely

Based on the Consequences and Likelihood Rating the Inherent Risk is to be assessed as either

- ▶ (H) High;
- ▶ (M) Medium;
- ▶ (L) Low

The adequacy of the licensee existing controls to control the inherent risks is to be assessed as:

- ▶ (S) Strong
- ▶ (M) Moderate
- ▶ (W) Weak

Based on the Inherent Risk and Adequacy of existing controls ratings the operational and asset management areas are to be rank as audit priorities from 1 to 5 with 1 being the highest.

The following the above risk assessment the audit priorities for the audit period will be:

- ▶ Sch.4, Cl. 1 - Emergency response;
- ▶ Sch.4, Cl. 2 - Customer complaints;
- ▶ Sch.4, Cl. 3 - Sewerage services;
- ▶ Sch.5, Cl. 3 - Incident reports;
- ▶ Previous Licence Cl. 12 - Methods or Principles to be Applied In The Provision of Water Services;
and
- ▶ Previous Licence Cl. 15(b) - Performance of Functions by The Licensee.
- ▶ Contingency Planning
- ▶ Asset Operations
- ▶ Asset Maintenance



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