



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

Operational Audit and
Asset Management
System Review

Final Report
February 2012

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Quantum Management Consulting and Assurance

ABN 83 083 848 168 Liability limited by a scheme approved under Professional Services Legislation

Level 28 AMP Tower, 140 St Georges Terrace, Perth **M.** PO Box 6882, East Perth WA 6892

T. 08 9278 2570 **F.** 08 9278 2571

E. mail@quantumassurance.com.au **W.** www.quantumassurance.com.au

Executive Summary

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

The Shire of Victoria Plains operates two sewerage schemes, located in the townships of Calingiri and Yerecoin, established in 1981 and 1983 respectively as part of the State Government's Shire Subsidy Scheme. Both schemes are gravity driven septic tank effluent disposal systems. Collectively the schemes consist of approximately 2.7 km of sewerage reticulation mains with 3 oxidation ponds serving 88 residential and 9 non-residential properties. Treated effluent is discharged into a seasonal creek system in each town.

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

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

OPERATIONAL AUDIT

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

- Not providing the 2009 Performance Report and 2010 Compliance Report to the Authority by the due dates and omitting these items as non-compliances in subsequent annual Compliance Reports.

The audit reviewed the action taken on previous audit recommendations in the audit report issued in January 2009 and confirmed that out of the 7 previous audit recommendations, 5 have been completed, 1 is no longer applicable and 1 has been partially completed. This demonstrates that there has been an improvement in compliance with the licence conditions.

The partially completed issue is:

- Although the Compliance Schedule has been developed and implemented, the required timeframes for the notification of the asset management system changes to the Authority were not included in the Schedule. Also, the Monitoring and Review Procedures section of the Asset Management Plan has not been updated for the requirement to notify the Authority of any changes to the asset management system within the required timeframe.

The audit recommended that the Shire:

- Ensures that performance and compliance reports are submitted by the due dates and any non-compliances are tracked for future reporting to the Authority; and
- Updates the Asset Management Plan and the Compliance Schedule for the requirement to notify the Authority of any changes to the asset management system within 10 business days; and including a Document History section in the Asset Management Plan to track changes.

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

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

ASSET MANAGEMENT SYSTEM REVIEW

The review of the Asset Management System has shown that the processes are well defined and that Shire staff are familiar with the requirements of the system and apply it in the planning of future requirements, financial planning and the day to day operational running of the system.

The review confirmed that out of 7 previous review recommendations in the report dated May 2009, 5 have been completed and 2 have been partially completed.

The partially completed issues were as follows:

- The requirement to advise to the Authority within 10 business days of any changes to the asset management system is not documented in the Compliance Schedule or the Asset Management Plan; and
- Management strategies for the contingency plans have been included in the Asset Management Plan but detailed contingency plans have not yet been documented and the plans have not been tested.

One new issue noted was that the condition of asset components is not recorded in the Asset Register after inspections.

The review recommended that:

- In respect of changes to the asset management system, documenting the requirement to advise to the Authority within 10 business days, and tracking changes to the Asset Management Plan in the document history;
- Recording in the Asset Register the condition assessment of each asset component after inspections; and
- Completing the development of contingency plans and annual testing.

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

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

POST AUDIT IMPLEMENTATION PLAN

The Post-Audit Implementation Plan in Appendix A provides a summary of the issues and recommendations from the Operational Audit and Asset Management System Review with management responses from the Shire of Victoria Plains.

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

Audit Opinion

Report on the Operational Audit of the Water Services Operating Licence

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

Respective Responsibilities

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

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

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

Limitations

This report was prepared for distribution to the Shire of Victoria Plains and the Authority for the purpose of fulfilling the Shire's reporting obligations under the Water Services Operating Licence. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Shire and the Authority, or for any purpose other than that for which it was prepared.

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

Auditor's Unqualified Opinion

In our opinion, the Shire of Victoria Plains has complied, in all material respects, with the performance and quality standards and obligations of the Water Services Operating Licence for the period from 1st December 2008 to 30th November 2011.

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

QUANTUM MANAGEMENT CONSULTING & ASSURANCE



GEOFF WHITE PERTH, WA
DIRECTOR 20 MARCH 2012

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

Operational Audit and
Asset Management
System Review
- Introduction

Final Report
February 2012

1. Background

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

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

The Shire of Victoria Plains operates two sewerage schemes, located in the townships of Calingiri and Yerecoin, established in 1981 and 1983 respectively as part of the State Government's Shire Subsidy Scheme. Both schemes are gravity driven septic tank effluent disposal systems. Collectively the schemes consist of approximately 2.7 km of sewerage reticulation mains with 3 oxidation ponds serving 88 residential and 9 non-residential properties. Treated effluent is discharged into a seasonal creek system in each town.

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

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

2. Methodology

2.1 Objectives and Scope

2.1.1 Operational Audit

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

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

The scope of the audit covered the following:

- **process compliance** - the effectiveness of systems and procedures in place throughout the audit period, including the adequacy of internal controls;
- **outcome compliance** – the actual performance against standards prescribed in the licence throughout the audit period;
- **output compliance** – the existence of the output from systems and procedures throughout the audit period (that is, proper records exist to provide assurance that procedures are being consistently followed and controls are being maintained);
- **integrity of reporting** – the completeness and accuracy of the compliance and performance reports provided to the Authority; and
- **compliance with any individual licence conditions** - the requirements imposed on the specific licensee by the Authority or specific issues that are advised by the Authority.

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

2.1.2 Asset Management System Review

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

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

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

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

2.2 Audit Period and Timing

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

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

2.3 Licensee's Representatives Participating in the Audit

- Harry Hawkins – Chief Executive Officer (CEO)
- Glenn Sargeson – Principal Environmental Health Officer (EHO)
- Paul Spowart - Building Maintenance Officer.

2.4 Key Documents Examined

- Shire of Victoria Plains Water Services Operating Licence (Operating Licence 34, Version OL2) 15 May 2009
- Audit Report - Shire of Victoria Plains Water Licence Operational Audit and Asset Management Review dated 19 May 2009
- Post Audit Implementation Plan - Shire of Victoria Plains Water Licence Operational Audit and Asset Management Review dated 19 May 2009
- Post Audit Implementation Plan update dated November 2011
- Shire of Victoria Plains Customer Charter for Wastewater Services (amended October 2009)
- Shire of Victoria Plains Annual Report for 2008/09, 2009/10 and 2010/11
- Compliance Schedule and Procedure for the Sewerage Licence Compliance Schedule
- Shire of Victoria Plains Asset Management Plan - Sewerage and Effluent Reuse Scheme Assets - June 2011
- Performance Reports to the Authority for the year ended 30 June 2009, 2010 and 2011
- Compliance Reports to the Authority for the year ended 30 June 2009, 2010 and 2011
- Correspondence between the Shire and the Authority.
- Sewerage Scheme Plans;
- Shire of Victoria Plains Plan for the Future 2010-2012;
- Asset Register (Excel spreadsheet)
- Asset Maintenance Management (Excel spreadsheet)
- Asset Condition and Performance (Excel spreadsheet)
- Asset Maintenance Management (Excel spreadsheet)
- VP Risk Assessment (Excel spreadsheet).

2.5 Operational Audit - Compliance Ratings

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

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

2.6 Asset Management System Review - Effectiveness Ratings

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

Asset management process and policy definition - Adequacy ratings

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

Asset management process - Performance ratings

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

2.7 Audit Team

NAME AND POSITION	HOURS
Geoff White – Director	8
Andrea Stefkova – Assistant Manager	20
Steve Park – Senior Engineer (David Wills and Associates)	8
TOTAL	36

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

Operational Audit –
Detailed Report

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February 2012

3. Operational Audit

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

3.1 Summary of Compliance Ratings

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

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

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

No. 1	Operating Licence Compliance Element	Operating Licence reference (Cl.=clause, Sch.=schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (Low, Medium, High)	Adequacy of existing controls (S=strong, M=moderate, W=weak)	Compliance Rating (1=significantly non-compliant , 2=non-compliant, 3 =compliant, 4 = compliant, 5=compliant, N/A = not applicable, N/R = not rated)									
							1	2	3	4	5	N/A	N/R			
17	Must co-operate with Dept. of Water	Sch.3 Cl.3.6	2	C	Medium	Strong										✓
18	Provide details to Dept. of Water	Sch.3 Cl.3.7	2	C	Medium	Strong										✓
19	Customer Service Charter	Cl.7.1	1	C	Medium	Strong							✓			
20	Availability of Customer Service Charter	Sch.3 Cl. 2.5	2	B	Medium	Strong							✓			
21	Charter reviewed every 3 years	Sch.3 Cl. 2.6	2	C	Low	Strong							✓			
22	Services consistent with Charter	Sch.3 Cl. 2.7	2	C	Medium	Strong							✓			
23	Customer consultation process	Cl. 8	2	C	Medium	Strong							✓			
24	Customer Council or at least two other forums	Sch.3 Cl. 4.1	2	C	Medium	Strong										✓
25	Consult the Authority on type and extent of customer consultation	Sch.3 Cl. 4.2	2	C	Medium	Strong							✓			
26	If requested, establish other forums	Sch.3 Cl. 4.3	2	C	Medium	Strong										✓
27	<i>Not applicable (only applies to irrigation licences)</i>	Sch.3 Cl. 4.4	N/A	N/A	N/A	N/A									✓	
28	Customer consultation prior to major changes	Sch.3 Cl. 4.5	2	B	Medium	Strong										✓
29	Council public question time	Sch. 3 Cl. 4.6	2	B	Medium	Strong							✓			
30	Modified customer agreements	Sch. 3 Cl. 5.1	2	B	Medium	Strong										✓
31	Annual report of non-standard agreements	Sch. 3 Cl. 5.4	2	B	Medium	Strong										✓
32	Customer survey, if directed by Authority	Sch. 3 Cl. 6	2	C	Medium	Strong										✓
33 to 40	<i>Not applicable to local government (only applicable to potable water licences)</i>	Cl. 9	N/A	N/A	N/A	N/A									✓	
41	Compliance with accounting standards	Cl. 15.1	1	C	Medium	Strong							✓			
42	Compliance with Operational Audit Guidelines	Cl. 16.2	1	C	Medium	Strong							✓			
43	Initial notification of asset management system (AMS) on licence commencement	Cl. 17.1	2	C	Low	Strong							✓			
44	Notify Authority of changes to AMS within 10 business days	Cl. 17.2	1	C	Low	Moderate			✓							
45	Compliance with Asset Management Review guidelines	Cl. 17.4	2	B	Medium	Strong							✓			
46	Report on external administration or significant financial or technical changes	Cl. 18.1	3	C	High	Strong										✓
47	Provide any information requested by Authority	Cl. 21.1	1	C	Medium	Strong				✓						
48	Information reporting requirements	Cl. 21.2	2	B	Medium	Moderate		✓								

No. 1	Operating Licence Compliance Element	Operating Licence reference (Cl.=clause, Sch.=schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (Low, Medium, High)	Adequacy of existing controls (S=strong, M=moderate, W=weak)	Compliance Rating (1=significantly non-compliant , 2=non-compliant, 3 =compliant, 4 = compliant, 5=compliant, N/A = not applicable, N/R = not rated)								
							1	2	3	4	5	N/A	N/R		
49	Publish information directed by Authority	Cl. 22.2 - .4	2	B	Low	Strong									✓
-	Written conditions for connections	Sch.6 Cl. 2.1	2	B	Medium	Strong					✓				
-	Services available for connection	Sch.6 Cl. 2.2	2	B	Medium	Strong					✓				
-	Agreement to discontinue services	Sch.6 Cl. 2.3	2	B	Medium	Strong					✓				

3.2 Previous Audit Recommendations

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

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
1.1 (item 48)	<p>Information Reporting Requirements</p> <p>The licensee must comply with the information reporting requirements as set out in Schedule 5.</p>	<p>Audit noted that although the 2006/07 and 2007/08 Annual Performance Reports were submitted within the required time, on 25 June 2007 and 28 July 2008 respectively, the 2005/06 report was submitted late to the Authority on 12 September 2006. There is no system in place to ensure the timely submission of reports and the submission of reports is purely reactionary to the reminder received from the Authority.</p> <p>The information for the reports comes from a variety of sources. However, information as to where and how to source the required data is not documented.</p>	2	<p>Develop and implement a compliance schedule with timeframes for annual performance report submission included as part of the schedule of events to ensure regulatory timeframes are met. The compliance schedule will also help replacement staff if the Shire's EHO is unavailable.</p> <p>Create documentation to explain where and how to source the required information; and file and keep copies of the source information together with a copy of the Schedule 3 Annual Performance Report to allow easier checking of the validity of the results.</p>	<p><i>A compliance schedule will be developed and implemented.</i></p> <p><i>Documentation explaining where and how to source the required information will be created; and copies of the source information will be filed and kept together with the Annual Performance Report.</i></p> <p><i>EHO</i></p> <p><i>31 December 2009</i></p>	<p>The Compliance Schedule and the Procedure for the Sewerage Licence Compliance Schedule have been developed and implemented as recommended.</p> <p>The Shire has also developed a procedure for the Sewerage Licence Compliance Schedule, which outlines where to source the supporting documentation.</p>	COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
1.2 (items 20 & 21)	<p>Customer Service Charter</p> <p>The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence.</p> <p>The licensee must review its Customer Service Charter at least once in every three year period.</p>	<p>The Shire of Victoria Plains Customer Service Charter was reviewed in February 2008 and approved by the Authority on 24 September 2008.</p> <p>The audit found that the Shire of Victoria Plains has submitted their new charter for approval within an acceptable timeframe. However, we did not identify a process in place to ensure that the timeframes would be met. The review and submission of the Customer Service Charter was reactionary to a note sent by the Authority and not planned.</p> <p>The audit confirmed through discussion with the Shire's EHO that the charter is provided upon request and at no charge to the customers. The audit also noted that a copy of the charter is kept under the reception counter; however it is not being prominently displayed.</p> <p>The audit was unable to establish that the Shire of Victoria Plains is advising its customers of the availability of the customer service charter on an annual basis. The Shire forwarded a copy of the charter to all of Council's wastewater service</p>	3	<p>Increase accessibility of the Customer Service Charter by displaying the charter in the Council offices and making the Charter available to customers on the website.</p> <p>Advise the customers on the availability of the Customer Service Charter on an annual basis.</p> <p>Develop and implement a compliance schedule with the Customer Service Charter annual notification requirement included as part of the schedule of events to ensure regulatory requirements are met.</p>	<p><i>The Charter will be displayed in the Council offices and added to the website.</i></p> <p>EHO 31 May 2009</p> <p><i>A paragraph will be inserted into the information bulletin that goes out with the rates notice to let everyone know annually of the availability of the Charter.</i></p> <p>EHO 31 July 2009</p> <p><i>A compliance schedule will be developed and implemented; and the Customer Service Charter annual</i></p>	<p>The audit confirmed that the Customer Service Charter is displayed at the front counter and is available to customers on the website.</p> <p>The Shire's annual rate notice now has notification advising the availability of the Customer Service Charter and a link to the Shire's website.</p>	COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
		customers in 2008. This was however done as part of the public consultation process with regards to the review of the charter. Moreover, no process is in place to ensure that the Customer Service Charter availability notification will be provided to the Shire's customers on an annual basis.			<i>notification requirement will be noted in the schedule to reflect the recommendation.</i> EHO 31 December 2009		
1.3 (n/a)	Incident Reporting The requirement to report incidents was removed from water licences in May 2009.	Although the Shire's scheme did not experience any overflows during the audit period, there is no system in place to ensure that the overflows would be reported to the Authority within 5 days of their occurrence.	4	Inform the Authority of any sewerage overflows from wastewater/ sewerage infrastructure, including wastewater treatment plants, pumping stations etc. within five days of their occurrence. Develop and implement a compliance schedule with timeframes for incident reporting noted in the schedule to ensure regulatory timeframes are met if overflows occur.	<i>A compliance schedule will be developed and implemented.</i> EHO 31 December 2009	No longer applicable - No action required.	CLOSED
1.4 (item 14)	Customer Complaints The licensee must provide an	There were no complaints received during the audit period. No written customer complaints, overflows or blockages were	4	The Complaint Register should be developed and maintained by the	<i>The Complaints Register will be developed and maintained by</i>	The Complaint Register has been developed and is kept at the front counter.	COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	appropriate system to monitor and record the number, nature of and outcomes to complaints.	<p>reported as per the Annual Performance Reports during the audit period.</p> <p>If a complaint is received, a Complaint Report form is to be completed. However, it was noted that no Complaints Register has been set up.</p>		<p>Shire in order to improve internal control over the recording and reporting of complaints (and procedures documented).</p> <p>Each customer complaint received by the Shire and its outcome should be recorded in the Complaints Register in sufficient details in order to be able to ascertain:</p> <ul style="list-style-type: none"> • Date and time the complaint was received; • Name of the complainant; • Who received the complaint; • Method of complaint; • Details of the complaint; • Time from report of the complaint to action; • Details of the action taken; • Name of person authorising; and 	<p><i>the Shire; and complaints recording and reporting procedures will be documented.</i></p> <p><i>Each customer complaint received by the Shire and its outcome will be recorded in the Complaints Register in sufficient details to reflect the recommendation.</i></p> <p><i>EHO</i></p> <p><i>31 December 2009</i></p>	No complaints were received over the audit period.	

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
				<ul style="list-style-type: none"> Date/ time responded 			
1.5 (items 4, 5 & 44)	<p>Asset Management System</p> <p>The licensee must notify the Authority of any changes to its asset management system within 10 business days from the date of change.</p> <p>The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an independent expert report, acceptable to the Authority, on the effectiveness of the Asset management System.</p>	<p>The Shire's Asset Management Plan (AMP) has not been updated since January 2004.</p> <p>The cover of the AMP states that the document was created in January 2004; however the AMP does not contain any provision on the frequency and procedures for review and update.</p> <p>The effectiveness of the asset management system is currently being audited and the final report will be provided to the Authority. However, we did not identify a process in place to ensure that the timeframes would be met.</p> <p>The implementation of the Asset Management System review was reactionary to a note sent by the Authority and not planned.</p>	4	<p>Update the AMP with the frequency of review and review procedures including the requirement to notify the Authority of any changes to the asset management system within the required timeframe as per the licence.</p> <p>Update the AMP for a document history section which will detail in a tabular form the date of the review or update of the document, person who performed it and brief description of the changes to the document from the previous version.</p> <p>Develop and implement a compliance schedule with the Asset Management System review dates included as part of the schedule of events to ensure regulatory timeframes</p>	<p><i>The overall Asset Management System will be reviewed in total and a new Asset Management Plan will be introduced.</i></p> <p><i>EHO</i></p> <p><i>30 June 2012</i></p> <p><i>A compliance schedule will be developed and implemented; and the required timeframes for the notification of the asset management system changes to the Authority noted in the schedule.</i></p> <p><i>EHO</i></p> <p><i>31 December 2009</i></p>	<p>The Compliance Schedule has been developed and implemented with the Asset Management System review dates included.</p> <p>However, the Compliance Schedule does not include the required timeframes for the notification of the asset management system changes to the Authority.</p> <p>A new Asset Management Plan was issued in June 2011. However, the Monitoring and Review Procedures section of the AMP has not been updated for the requirement to notify the Authority of any changes to the asset management system within the required timeframe.</p> <p>Also, the Document history section was not</p>	PARTLY COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
				are met. Note the required timeframes for notification of any asset management system changes to the Authority, in the compliance schedule.		included in the AMP update June 2011 due to an oversight. <i>(Post Audit Implementation Plan item 1.1)</i>	
1.6 (item 6)	Operational Audit - The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an operational audit conducted by an independent expert, acceptable to the Authority.	This performance audit is now being undertaken. However, we did not identify a process in place to ensure that the timeframes would be met. The implementation of the Operational Audit was reactionary to a note sent by the Authority and not planned.	4	Develop and implement the compliance schedule with Operational Audit dates included as part of the schedule of events to ensure regulatory timeframes are met.	<i>A compliance schedule will be developed and implemented.</i> <i>EHO</i> <i>31 December 2009</i>	The Compliance Schedule has been developed and implemented with the Performance Audit dates included.	COMPLETED
1.7 (items 7)	Service and Performance Standards The Licensee must comply with the service and performance standards as set out in Schedule 4.	The emergency customer service number is provided in the charter. The audit however noted that the emergency customer service telephone number provided in the AMP is different to the one provided in the charter.	4	Update the AMP for the current emergency customer service telephone number.	<i>The AMP will be updated.</i> <i>EHO</i> <i>30 June 2009</i>	The AMP no longer states the emergency customer service telephone number. The emergency customer service number is provided in the Customer Service Charter.	COMPLETED

3.3 Audit Results and Recommendations

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

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

No ²	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
	36(1)(b)		System.			<p>progress in the Post-Audit Implementation Plan updates.</p> <p>Apart from the new AMP, there were no material changes made to the asset management system that would require notification to the Authority.</p>	
5	Water Services Licensing Act Section 36(1)(c)	Clause 17.3	The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an independent expert report, acceptable to the Authority, on the effectiveness of the Asset management System.	2	5	<p>The Asset Management System Review is now being undertaken and will be completed within the prescribed time.</p> <p>The Compliance Schedule has been developed and implemented with the Asset Management System review dates included.</p>	5
6	Water Services Licensing Act Section 37(1)	Clause 16.1	The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an operational audit conducted by an independent expert, acceptable to the Authority.	2	5	<p>The Operational Audit is now being undertaken and will be completed within the prescribed time.</p> <p>The Compliance Schedule has been developed and implemented with the Operational Audit dates included.</p>	5
7	Water Services Licensing Act Section 38(2)	Clause 20.1	<p>The licensee must comply with the performance standards set out in Schedule 4.</p> <ul style="list-style-type: none"> Emergency telephone 	2	2	The audit reviewed the Shire's Performance Reports for the year ended 30 June 2009, 2010 and 2011 and noticed that the Shire complied with all performance standards.	5

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			<p>response system such that customers need only make one call and they are advised of the nature and timing of action within one hour (Target is 90% of calls).</p> <ul style="list-style-type: none"> • 90% of complaints resolved within 15 business days. • Fewer than 40 blockages per 100km of sewer main per year • 90% of connected properties experience no sewerage overflows per year 				
LICENCE COMPLIANCE REQUIREMENTS – WATER COORDINATION REGULATION 1996							
8	Water Services Coordination Regulations Section 2	Clause 4.1	The licensee must pay the applicable fees in accordance with the regulations.	N/R	5	The licence expires on 29 April 2021. The application for renewal of the licence is to be accompanied by the prescribed fee.	N/R

No ²	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
LICENCE COMPLIANCE REQUIREMENTS – LICENCE CONDITIONS							
9	N/A	Clause 6.1	The licensee must establish a customer complaints process as set out in Schedule 3.	NR	4	The Customer Service Charter outlines process in regards to enquiries, suggestions, complaints and disputes.	5
10	N/A	Schedule 3 Clause 3.1	The licensee must resolve customer complaints within 15 business days of the receipt of complaint.	NR	N/A	Shire of Victoria Plains is a Local Government Agency so this is not applicable.	N/A
11	N/A	Schedule 3 Clause 3.8	The licensee must resolve customer complaints within 15 business days of the receipt of complaint or for matters to be considered by a Local Government Council within 5 business days after the first ordinary Council meeting following the 15 business day period.	NR	4	The audit confirmed with the Shire's EHO that there were no sewerage related customer complaints received by the Shire over the audit period. The Customer Service Charter outlines the process in regards to enquiries, suggestions, complaints and disputes.	N/R
12	N/A	Schedule 3 Clause 3.2(b)	The licensee must provide appropriately trained staff to respond to complaints.	NR	N/A	Shire of Victoria Plains is a Local Government Agency so this is not applicable.	N/A
13	N/A	Schedule 3 Clause 3.9(b)	The licensee must provide one trained staff member who is authorised or has access to another officer who is authorised to make necessary	NR	5	The Shire's CEO is authorised to make necessary decisions to settle the customer complaints or disputes. The Shire's staff have been provided with complaints resolution training through the OHS courses.	5

No ²	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			decisions to respond to complaints.			Dealing with difficult clients is also a part of Certificate II and III in Business Studies undertaken by staff.	
14	N/A	Schedule 3 Clause 3.2(d)	The licensee must provide an appropriate system to monitor and record the number, nature of and outcomes to complaints.	NR	3	The Complaints Register has been developed and is kept at the front counter. The audit confirmed with the Shire's EHO that there were no sewerage related customer complaints received by the Shire over the audit period.	5
15	N/A	Schedule 3 Clause 3.4	The licensee must inform the customer of the option to refer a disputed complaint to the Department of Water.	NR	N/A	Shire of Victoria Plains is a Local Government Agency so this is not applicable.	N/A
16	N/A	Schedule 3 Clause 3.10	The licensee must inform the customer of the option to refer a disputed complaint to the Department of Water unless the complaint is a matter that relates to section 3.22 of the <i>Local Government Act 1995</i> .	NR	4	The audit confirmed with the Shire's EHO that there were no sewerage related customer complaints received by the Shire over the audit period. The Customer Service Charter outlines process in regards to enquiries, suggestions, complaints and disputes.	N/R
17	N/A	Schedule 3 Clause 3.6	The licensee must co-operate with the Department of Water's request for information concerning a disputed complaint.	NR	4	The audit confirmed with the Shire's EHO that there were no sewerage related customer complaints received by the Shire over the audit period. The audit confirmed with the Shire's EHO that during the audit period, there were no such requests received from the Department of Water.	N/R
18	N/A	Schedule 3	The licensee must, on	NR	4	The audit confirmed with the Shire's EHO that there were no	N/R

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
		Clause 3.7	request, provide complaints details to the Department of Water.			sewerage related customer complaints received by the Shire over the audit period. The audit confirmed with the Shire's EHO that during the audit period, there were no such requests received from the Department of Water.	
19	N/A	Clause 7.1	The licensee must establish a Customer Service Charter as set out in Schedule 3.	2	4	The revised Shire of Victoria Plains Customer Service Charter was approved by the Authority on 24 September 2008. Amendments to the Customer Service Charter were approved by the Authority on 26 October 2009.	5
20	N/A	Schedule 3 Clause 2.5	The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence.	2	3	The audit confirmed through sighting that the Charter is prominently displayed at the Shire's reception, and through discussion with the Shire's EHO that the Charter is provided upon request and at no charge to customers. In addition, the audit confirmed that the Customer Service Charter is available to customers on the website. The Shire's EHO advised that the Shire advertises the notice advising availability of the Customer Service Charter in the local newspaper annually as well as when the Rate Notices are sent. The audit confirmed this by sighting the information sent out to customers with the latest Rate Notice.	5
21	N/A	Schedule 3 Clause 2.6	The licensee must review its Customer Service Charter at least once in every three year period.	2	5	The previous charter was approved by the Authority on 24 September 2008. Amendments to the Customer Service Charter were approved by the Authority on 26 October 2009. The Authority has provided a 12 months extension to the deadline for the Shire's Customer Service Charter review.	5

No ²	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
						The next review is due in September 2012.	
22	N/A	Schedule 3 Clause 2.7	The licensee must provide its services consistent with its Customer Service Charter.	2	4	The audit confirmed that the Shire provide its services consistent with its Customer Service Charter. The charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to the Shire's customers.	5
23	N/A	Clause 8	The licensee must establish customer consultation processes as set out in Schedule 3.	NR	4	The audit confirmed with the Shire's EHO that an adequate customer consultation process has been established.	5
24	N/A	Schedule 3 Clause 4.1	The licensee may either establish a Customer Council or institute at least 2 of the following: establish a regular meeting; publish a newsletter or run other public forums, concerning the licensed activities.	NR	4	The audit confirmed with the Shire's EHO that the Shire hold regular electors meetings and articles are being placed in the local newspaper. The Shire also allows its customers to raise matters of concern regarding the sewerage system at public question time during the Victoria Plains Council meetings.	5
25	N/A	Schedule 3 Clause 4.2	The licensee must consult the Authority on the type and extent of consultation to be adopted by the licensee.	NR	4	The Shire's Customer Service Charter states that community involvement in the Shire's service planning and decision making processes will be sought through formal requests for customer feedback and through information published in the local newspaper.	5
26	N/A	Schedule 3	The licensee must, if at the request of the Authority,	NR	4	The audit confirmed with the Shire's EHO that during the audit period, there were no such requests received from the	N/R

No ²	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
		Clause 4.3	establish other forums for consultations, to enable community involvement in issues relevant to licence obligations.			Authority.	
27	N/A	Schedule 3 Clause 4.4	The licensee must hold season opening and closing public meetings, and the agenda must cover at least season opening and closing conditions, tariffs and scheme operation.	NR	N/A	Not applicable.	N/A
28	N/A	Schedule 3 Clause 4.5	The licensee must prior to making a major change to the operation of a water service hold a public meeting and seek written submissions.	NR	4	The audit confirmed with the Shire's EHO that during the audit period, the Shire has made no significant changes to the operation of the water service.	N/R
29	N/A	Schedule 3 Clause 4.6	The licensee must allow customers to raise matters of concern regarding Council public question time in accordance with the <i>Local Government Act 1995</i> .	NR	4	The audit confirmed with the Shire's EHO that the Shire allows its customers to raise matters of concern regarding the sewerage system at public question time during the Victoria Plains Council meetings.	5
30	N/A	Schedule 3 Clause 5.1	The licensee may enter into an agreement with a customer to provide water services that may exclude, modify or restrict	NR	4	The audit confirmed with the Shire's EHO that no such agreements have been entered into over the audit period.	N/R

No ²	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			the terms of the licence.				
31	N/A	Schedule 3 Clause 5.4	The licensee must publish a report annually that includes the specified information.	NR	4	The audit confirmed with the Shire's EHO that no agreements that may exclude, modify or restrict the terms of the licence have been entered into over the audit period.	N/R
32	N/A	Schedule 3 Clause 6	The licensee must conduct a customer survey if directed by the Authority.	NR	4	The audit confirmed with the Shire's EHO that during the audit period, there were no such directions received from the Authority.	N/R
33 to 40	N/A	Clause 9	Memorandum of Understanding	2	N/A	Clause 9 is not applicable.	N/A
41	N/A	Clause 15.1	The licensee must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.	NR	4	Each year the Shire of Victoria Plains prepares a comprehensive Annual Report for the whole of the Shire, which is independently audited by a certified auditor. The audit sighted the Shire's Financial Report for the year ended 30 th June 2011, including an Independent Audit Report..	5
42	Water Services Licensing Act Section 37	Clause 16.2	The licensee must comply and require the licensee's auditor to comply with the Authority's Standard Audit Guidelines, minimum requirements regarding appointment of the auditor, scope of audit, conduct of the audit and reporting of the audit.	NR	4	The Shire's Audit Plan –Water Services Operating Licence – Operational Audit and Asset Management System Review, dated 31 October 2011, stipulates compliance requirements on auditors.	5

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
43	Water Services Licensing Act Section 36	Clause 17.1	The licensee must provide for and notify the Authority of its asset management system within 2 business days from the licence commencement date unless notified in writing by the Authority.	2	5	The licence commencement date was 21 May 1997. The Authority was notified of the Shire's asset management system back then.	5
44	Water Services Licensing Act Section 36	Clause 17.2	The licensee must notify the Authority of any changes to its asset management system within 10 business days from the date of change.	2	5	<p>During the audit period, the Shire has reviewed the overall Asset Management System in total and introduced a new Asset Management Plan (AMP). The Authority was notified of progress in Post Audit Implementation Plan reports.</p> <p>The audit confirmed with the Shire's EHO that apart from the new AMP, there were no material changes made to the asset management system that would require notification to the Authority.</p> <p>The Shire has developed and implemented the Compliance Schedule. However the Schedule does not include the required timeframes for the notification of the asset management system changes to the Authority.</p> <p>A new AMP was issued in June 2011. However, the Monitoring and Review Procedures section of the AMP has not been updated for the requirement to notify the Authority of any changes to the asset management system within the required timeframe.</p> <p>Also, the Document history section was not included in the AMP update June 2011 due to an oversight.</p>	3

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
						<p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Update the Asset Management Plan - Monitoring and Review Procedures section for the requirement to notify the Authority of any changes to the asset management system within 10 business days. ▪ Note the required timeframes for the notification of the asset management system changes to the Authority in the Compliance Schedule. ▪ Update the AMP for a document history section which will detail in a tabular form the date of the review or update of the document, person who performed it and brief description of the changes to the document from the previous version. <p><i>(Post Audit Implementation Plan item 1.1)</i></p>	
45	Water Services Licensing Act Section 36	Clause 17.4	The licensee must comply and require the licensee's expert to comply with the Authority's Standard Guidelines dealing with the asset management system review including, minimum requirements, regarding appointment of the expert reviewer, scope of review, conduct of the review and reporting of the outcomes of the review.	NR	4	The Audit Plan - Operational Audit and Asset Management System Review dated 31 October 2011 stipulates compliance requirements on auditors.	5

No ²	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
46	N/A	Clause 18.1	The licensee must report to the Authority if it is under external administration within 2 business days or significant change in its financial or technical circumstances within 10 business days.	2	5	No significant changes.	N/R
47	N/A	Clause 21.1	The licensee must provide any information the Authority may require in connection with its functions under the Act.	2	3	In addition to the reporting requirements under the Water Compliance Reporting Manual, the Shire provided updates on the Post-Audit Implementation Plan in respect of the 2008 performance audit and asset management system review to the Authority. An update of the PAIP was due to be submitted to the Authority by September 2011 but was deferred by the Shire due to the impending operational audit.	4
48	N/A	Clause 21.2	The licensee must comply with the information reporting requirements as set out in Schedule 5.	2	3	In accordance with the Water Compliance Reporting Manual May 2011, the Shire is required to submit to the Authority: <ul style="list-style-type: none"> Annual performance reports no later than 31 July for the reporting year ending 30 June; and Annual compliance reports by 31 August for the year ending 30 June. <p>The audit reviewed the Shires Compliance and Performance Reports for the years ending 30 June 2009, 2010 and 2011 to the Authority and noted the following exceptions:</p> <ul style="list-style-type: none"> The Performance Report for the year ended 30 	2

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
						<p>June 2009 was submitted after the due date. The Authority acknowledged this non-compliance. Also, the Compliance Report for the year ending 30 June 2010 should have reported this as a non-compliance.</p> <ul style="list-style-type: none"> The Compliance Report for the year ended 30 June 2010 was submitted after the due date. The Authority acknowledged this non-compliance. Also, the Compliance Report for the year ending 30 June 2011 should have reported this as a non-compliance; and <p>The Shire has developed and implemented the Compliance Schedule with the annual performance and compliance reporting due dates included which should ensure that due dates are met in future.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Ensure that all future Performance and Compliance Reports are submitted to the Authority within the timeframes required. Keep track of any non-compliances with the licence obligations to include in future Compliance Reports. <p><i>(Post Audit Implementation Plan item 1.2)</i></p>	
49	N/A	Clause 22.2 and 22.4	The licensee must publish relevant information directed to do so by the Authority within	NR	5	The audit confirmed with the Shire's EHO that during the audit period, no such directions were received from the Authority.	N/R

No ²	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			the specified timeframes.				
-	N/A	Schedule 6 Clause 2.1	The licensee must set out in writing its conditions for connection and make it available to people enquiring or applying for connection.	NR	4	The audit confirmed that the Shire provide its services consistent with its Customer Service Charter. The charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to the Shire's customers.	5
-	N/A	Schedule 6 Clause 2.2	The licensee must ensure that its services are available for connection on any land in the Operating Area subject to compliance with the Shire's conditions.	NR	4	The audit confirmed with the Shire's EHO that the services are available for connection on any land in the Operating Area subject to compliance with the Shire's conditions. The audit confirmed that the Shire provide its services consistent with its Customer Service Charter. The charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to the Shire's customers.	5
-	N/A	Schedule 6 Clause 2.3	The licensee may with the written agreement of the property owner discontinue a service where it is not commercially viable.	NR	4	The audit confirmed with the Shire's EHO that over the audit period there was no discontinuation of the service due to the service not being commercially viable.	N/R

3.4 Recommended Changes to the Licence

No changes to the licence are considered necessary.

3.5 Conclusion

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

- Not providing the 2009 Performance Report and 2010 Compliance Report to the Authority by the due dates and omitting these items as non-compliances in subsequent annual Compliance Reports.

The audit reviewed the action taken on previous audit recommendations in the audit report issued in May 2009 and confirmed that out of the 7 previous audit recommendations, 5 have been completed, 1 is no longer applicable and 1 has been partially completed. This demonstrates that there has been an improvement in compliance with the licence conditions.

The partially completed issue is:

- Although the Compliance Schedule has been developed and implemented, the required timeframes for the notification of the asset management system changes to the Authority were not included in the Schedule. Also, the Monitoring and Review Procedures section of the Asset Management Plan has not been updated for the requirement to notify the Authority of any changes to the asset management system within the required timeframe.

The audit recommended that the Shire:

- Ensures that performance and compliance reports are submitted by the due dates and any non-compliances are tracked for future reporting to the Authority; and
- Updates the Asset Management Plan and the Compliance Schedule for the requirement to notify the Authority of any changes to the asset management system within 10 business days; and including a Document History section in the Asset Management Plan to track changes.

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

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

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

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

Asset Management
System Review –
Detailed Report

Final Report
February 2012

4. Asset Management System Review

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

This included evaluating the key processes of:

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

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

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

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

4.1 Summary of Asset Management System Ratings

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

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

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

4.2 Previous Review Recommendations

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

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
2.1	Environmental Analysis Compliance with statutory and regulatory requirements	The Asset Management Plan (AMP) section on Regulatory Requirements outlining the requirements of the operating licence for the sewerage services needs to be updated in line with the new operating licence issued to the Shire of Victoria Plains on 6 August 2008.	3	Update the Asset Management Plan in line with the requirements of the new operating licence for the sewerage services issued to the Shire of Victoria Plains on 6 August 2008.	<i>The Asset Management System will be reviewed in total and a new Asset Management Plan will be introduced.</i> EHO 30 June 2012	<i>The Asset Management Plan was updated in June 2011.</i>	COMPLETED
2.2	Risk Management Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system. Risks are documented in a	A partial and informal risk assessment has been performed.	2	A more formal risk assessment approach is recommended. The approach need not be too complicated but should use the following approach: <ul style="list-style-type: none"> Identify potential risks for the asset and its operations; Assess the likelihood of each risk as likely, possible or unlikely; Assess the consequences as minor, moderate or 	<i>A more formal risk assessment will form part of the new Asset Management Plan to be developed.</i> EHO 30 June 2012	Risk assessment implemented in new AMP.	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	risk register and treatment plans are actioned and monitored The probability and consequences of asset failure are regularly assessed.			major; <ul style="list-style-type: none"> Calculate the risk as high, medium or low based on the likelihood and consequences of each risk; Identify the controls in place to mitigate the risks given their level and whether they are adequate; Identify and implement suitable actions to deal with inadequate controls; and Review risks on a regular basis for any changes and update accordingly. 			
2.3	Contingency Plans Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	No formal contingency plans are in place and emergency responses are over-reliant on individual knowledge. Contingency plans need to be clear enough for someone not directly involved in the day to day operations to be able to successfully action the plan. Detailed contingency plans documenting the steps to	1	Following the risk assessment, a set of contingency plans or emergency procedures should be developed by the Shire to cover situations identified in the risk assessment as being a major or significant risk. For example bushfire affecting ponds or reticulation equipment; reticulation pump or	<i>A set of contingency plans will be developed to cover situations identified in the risk assessment as being a major or significant risk.</i> <i>The contingency plans will be reviewed and tested on at least an annual basis or</i>	Management strategies have been included in the new AMP. Detailed contingency plans are to be developed by June 2012. Testing is planned by June 2012. <i>(Post-Audit Implementation Plan item 2.2)</i>	PARTLY COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
		<p>deal with an unexpected failure of a system, process or procedure need to be developed.</p> <p>The contingency plans have not been tested.</p>		<p>electrical failure; chlorinator failure; extreme rainfall events/water overflows from the ponds; pipeline burst or blockages etc..</p> <p>The contingency plans should include:</p> <ul style="list-style-type: none"> • Detailed procedures; • Key local contact details – name, number and location; • Communication protocols; • Specifications, location and availability of emergency equipment; and • Authorities that need to be contacted and when. <p>Once developed, the contingency plans should be reviewed and tested on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and that</p>	<p><i>whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency.</i></p> <p><i>EHO</i></p> <p><i>30 June 2012</i></p>		

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
				appropriate persons are aware of their responsibilities in cases of emergency.			
2.4	Asset Operations Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data.	The Calingiri Wastewater Scheme Plans and Asset Register need to be updated to reflect the extension of the Calingiri Sewer main to Kurrali Street/Chitty Avenue done in 2004/2005. Also, as stated in the Shire's Principal Activities Plan, an annual inspection of the sewerage scheme is to be carried out to indicate condition, serviceability and maintenance required. However, the AMP and the Asset Registers have not been updated since 2004.	3	The Calingiri Wastewater Scheme Plans and the Calingiri Wastewater Scheme Asset Register need to be updated to reflect the extension of the Calingiri Sewer main to Kurrali Street/Chitty Avenue in 2004/2005. The AMP and the Asset Registers should be reviewed for accuracy of the assets' condition and performance assessment and updated to reflect the current state. The Asset Registers should be updated with more current Estimated Replacement Cost.	<i>The Asset Management System will be reviewed in total and a new Asset Management Plan will be introduced.</i> EHO 30 June 2012	Asset register reviewed and new Asset Management Plan developed in June 2011.	COMPLETED
2.5	Financial Planning The financial plan identifies the source of funds for capital	The Financial Plan section of the AMP identifies the source of funds for capital expenditure to be through the sewerage rates and the Shire's plant reserve. The Shire also maintains the	2	The Financial Plan section of the AMP needs to be reviewed and updated: <ul style="list-style-type: none"> for identification of the sources of funds 	<i>The Asset Management System will be reviewed in total and a new Asset Management Plan will be introduced.</i>	A new AMP with 5 year expenditure estimates was completed in June 2011. A separate Sewerage Reserve account is	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	<p>expenditure and recurrent costs. The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period. The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.</p>	<p>Sewerage Scheme Reserve, the purpose of which is to be used to maintain and improve the Calingiri sewerage scheme. The purpose of the Plant Reserve is, on the other hand, to be used for purchase of major plant. The identification of the sources of funds for the capital expenditure for Calingiri Wastewater Scheme as well as for the Yerecoin Wastewater Scheme needs to be reviewed in the AMP and updated to reflect current practices. The AMP does not provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period. The provision and maintenance of the sewerage system is budgeted in the Shire of Victoria Plains Budget for the year ended 30 June 2009 only as part of the Community Amenities. The breakdown of revenue and</p>		<p>for the capital expenditure for Calingiri Wastewater Scheme as well as for the Yerecoin Wastewater Scheme and to reflect current practices;</p> <ul style="list-style-type: none"> • for firm predictions on income for the next five years and reasonable indicative predictions beyond this period; and • to provide the expenditure allocation for operations and maintenance, administration and capital expenditure requirements of the scheme. 	<p><i>EHO</i> <i>30 June 2012</i></p>	<p>maintained and has a balance of \$61,755 at 30 June 2011. The AMP estimates capital expenditure of \$15,000 over the next 5 years which is covered by the reserve funds. Reserve to be reviewed each year as part of the annual budget process.</p>	

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
		<p>expenditure within the Community Amenities is not provided.</p> <p>Also, the current Principal Activities Plan for the next five year period 1 July 2008 to 30 June 2013 provides only summarised information on revenue and expenditure for Sanitation & Sewerage as budgeted for 2008/09 and forecast for 2009/10 to 2012/13. A breakdown of revenue and expenditure is not provided.</p>					
2.6	<p>Capital Expenditure Planning</p> <p>There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.</p> <p>The capital expenditure plan is consistent with the asset life</p>	<p>The existing corporate system used to manage and fund these activities is the Principal Activities Plan.</p> <p>The Capital Expenditure Planning section of the AMP includes a Capital Works Schedule for five years 2003/04 - 2007/08. The Schedule is consistent with the Shire of Victoria Plains Principal Activities Plan for the four year period 1 July 2004 to 30 June 2008.</p> <p>The current Principal Activities Plan for the next five year period 1 July 2008 to 30 June 2013 provides</p>	2	<p>The Capital Works Schedule in the AMP needs to be updated for the next five years taking into account the asset life and condition identified in the Asset Management Plan.</p> <p>The Principal Activities Plan to be reviewed in line with the future sewerage schemes capital expenditure identified in the revised Capital Works Schedule, and updated if necessary.</p>	<p><i>The Asset Management System will be reviewed in total and a new Asset Management Plan will be introduced.</i></p> <p><i>EHO</i></p> <p><i>30 June 2012</i></p>	<p>A new AMP with 5 year expenditure estimates was completed in June 2011.</p> <p>A separate Sewerage Reserve account is maintained and has a balance of \$61,755 at 30 June 2011.</p> <p>The AMP estimates capital expenditure of \$15,000 over the next 5 years which is covered by the reserve funds. Reserve to be reviewed each year as part of the annual budget process.</p>	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	and condition identified in the asset management plan.	only summarised information on revenue and expenditure for Sanitation & Sewerage as budgeted for 2008/09 and forecast for 2009/10 to 2012/13. The breakdown of revenue and expenditure is not provided.					
2.7	<p>Review of Asset Management System</p> <p>A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.</p>	<p>The Shire's AMP has not been updated since January 2004. The cover of the AMP states that the document was created in January 2004; however the AMP does not contain any provision on the frequency and procedures of the AMP review and update. This issue is already covered by Recommendation 1.5.</p> <p>The operational audit and asset management system review identified that some sections of the AMP need to be updated to reflect current practices such as:</p> <ul style="list-style-type: none"> Update the AMP in line with the requirements of the new operating licence for the sewerage services issued to the Shire 6 August 2008; Update the AMP for the 	2	<p>The Asset Management Plan should be reviewed in more frequent intervals i.e. annually and reissued when changes occur. The maintenance, capital expenditure plans and financial plans should also be revised annually.</p> <p>Keep track of all reviews of the Asset Management Plan.</p> <p>Update the sections of the Asset Management Plan identified by the operational audit and the asset management system review as requiring amendment.</p>	<p><i>The Asset Management System will be reviewed in total and a new Asset Management Plan will be introduced.</i></p> <p><i>The tracking of all reviews of the AMP will be kept by the Shire.</i></p> <p>EHO</p> <p>30 June 2012</p>	<p>The AMP was revised in June 2011.</p> <p>As noted in Section 3.3 (item 44), the documentation of the review periods, advice to the Authority of changes and tracking of changes to the AMP could be improved.</p> <p><i>(Post-Audit Implementation Plan item 1.1)</i></p>	PARTLY COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
		<p>current emergency customer service telephone number;</p> <ul style="list-style-type: none"> The AMP and the Asset Registers should be reviewed for accuracy of the assets' condition and performance assessment and updated to reflect the current state; The Financial Plan section of the AMP needs to be updated per item 2.5; and The Capital Works Schedule in the AMP needs to be updated per item 2.6. 					

4.3 Review Results and Recommendations

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating ³	A	Performance Rating ⁴	1
1	ASSET PLANNING				
1.1	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	The Shire of Victoria Plains Asset Management Plan (AMP) – June 2011 was sighted. The goal, objective and level of service are stated in the AMP.			
1.2	Service levels are defined.	The Shire of Victoria Plains AMP was sighted. The goal, objective and level of service are stated in the AMP.			
1.3	Non-asset options (e.g. demand management) are considered.	The assets are considered appropriate for the current levels of demand.			
1.4	Lifecycle costs of owning and operating assets are assessed.	The Plan for the Future 2010/11 and 2011/12 were sighted.			
1.5	Funding options are evaluated.	The Shire maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Victoria Plains Sewerage Scheme. The Shire charges annual rates that include expenditure on the sewerage scheme.			
1.6	Costs are justified and cost drivers identified.	The analysis assumes that assets will be replaced at the end of their standard economic life. The forecast lifecycle asset replacement program is included in the Annual Capital Investment Budget Excel spreadsheet.			
1.7	Likelihood and consequences of asset failure are predicted.	The analysis assumes that assets will be replaced at the end of their standard economic life.			
1.8	Plans are regularly reviewed and updated.	The AMP is reviewed in April of each year in the development of the annual Shire budget for the following year.			

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

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

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating		Performance Rating	
2	ASSET CREATION/ ACQUISITION		A		1
2.1	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	No new assets are shown on the Capital Investment Budget. Only replacement of existing components as they reach the end of their life.			
2.2	Evaluations include all life-cycle costs.	No new assets are shown on the Capital Investment Budget.			
2.3	Projects reflect sound engineering and business decisions.	No new assets are shown on the Capital Investment Budget.			
2.4	Commissioning tests are documented and completed.	No new assets acquired.			
2.5	Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	Section 2.3 of the AMP outlines the legislative requirements (June 2011).			
3	ASSET DISPOSAL		A		2
3.1	Under-utilised and under-performing assets are identified as part of a regular systematic review process.	<p>An Asset Register and Condition Performance Spreadsheet were sighted. The gravity system is inspected bi-annually wherein lids are inspected and re-greased. Reporting is by exception only.</p> <p>However, the Asset Register is not updated to accurately reflect the condition of individual components of the system.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ Record in the Asset Register, the condition of each asset component of the scheme based on inspections carried out. <p><i>(Post Audit Implementation Plan item 2.1)</i></p>			
3.2	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	<p>The system is meeting demand and working close to capacity. As such there are no plans to dispose of any major assets in the foreseeable future.</p> <p>Should asset condition assessment reveal under-performing assets or the service level change dramatically; an asset disposal plan will be required, to ensure that the process is correctly undertaken.</p>			
3.3	Disposal alternatives are evaluated.	Assets at the end of their life will be replaced with a similar capacity and the old asset dumped or recycled for scrap as appropriate.			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
3.4	There is a replacement strategy for assets.	The Capital Investment Plan provides a program for the replacement of assets. It is noted that fencing of the Calingiri ponds is to be replaced in 2011/12.			
4	ENVIRONMENTAL ANALYSIS	Process Rating	A	Performance Rating	1
4.1	Opportunities and threats in the system environment are assessed.	There is not a specific section in the AMP on opportunities and threats for the system, but there is a section on the existing environment that describes external factors.			
4.2	Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved.	Annual Performance Report sighted for 2008/09, 2009/10 and 2010/11.			
4.3	Compliance with statutory and regulatory requirements.	The Asset Management Plan Section on Legislative Requirements was updated in June 2011. Compliance is monitored by the Shire's EHO.			
4.4	Achievement of customer service levels.	Compliance reports have been submitted for the past 3 years. No complaints have been received.			
5	ASSET OPERATIONS	Process Rating	A	Performance Rating	2
5.1	Operational policies and procedures are documented and linked to service levels required.	Practices covering operating rules and operating procedures for collection systems and wastewater treatment plants are documented in the AMP.			
5.2	Risk management is applied to prioritise operations tasks.	A risk assessment was completed as part of the Asset Management Plan and the results are considered in prioritising operational and maintenance tasks.			
5.3	Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and accounting data.	<p>The Shire currently operates a simple computerised system based on the standard suite of Excel spreadsheets. All the asset system components have been identified and documented in the Asset Register Excel spreadsheet.</p> <p>Physical parameters for the assets are recorded in the "As constructed" drawings. The AMP provides a summary description of each installation within the system.</p> <p>The Asset Register was sighted. The current Asset Register includes details on:</p> <ul style="list-style-type: none"> ▪ Asset Number; ▪ Description; ▪ Dimensions/ type; ▪ Construction materials/ model; 			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<ul style="list-style-type: none"> ▪ Construction date; and ▪ Replacement Value <p>for access chambers, pipes, treatment plant, pump station and effluent re-use. The assets' location is documented on the maps. The Asset Register does not include an assessment of the current condition of each asset component. Refer recommendation in item 3.1.</p>			
5.4	Operational costs are measured and monitored.	All asset expenditure is captured in the Shire's Financial Management Information System (FMIS). The historical cost information for the assets has not been transferred to the Asset Register but is in the FMIS.			
5.5	Staff receive training commensurate with their responsibilities.	<p>The AMP outlines the current human resources required to support the plan as follows:</p> <ul style="list-style-type: none"> ▪ CEO ▪ Building Maintenance Officer ▪ Principal Environmental Health Officer ▪ Executive Assistant. 			
6	ASSET MAINTENANCE	Process Rating	A	Performance Rating	1
6.1	Maintenance policies and procedures are documented and linked to service levels required.	<p>Practices covering maintenance are documented in the AMP. Maintenance is regularly performed on assets. The maintenance routines to ensure minimum levels of service in the collection and conveyance systems are set out in the Maintenance Schedule for Calingiri sewerage system and in the Maintenance Schedule for Yerecoin sewerage system in the AMP.</p>			
6.2	Regular inspections are undertaken of asset performance and condition.	Overall, the maintenance is geared towards preventative maintenance. This will ensure that the system continues to operate effectively and any deterioration in the condition of an asset is picked up in time to ensure proper planning of replacement or renewal.			
6.3	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	A comprehensive Routine Maintenance Plan has been prepared and included in the Maintenance Management Plan Excel spreadsheet. The maintenance schedule specifies maintenance tasks to be carried out daily, weekly, monthly, two monthly, six monthly, yearly and five yearly. It provides a checklist of maintenance tasks but is reliant on the knowledge and ability of the person performing the maintenance to carry them out satisfactorily.			
6.4	Failures are analysed and operational/maintenance plans adjusted where necessary.	The AMP is reviewed annually as part of the Shire's annual budget preparation and any failures considered in the budgets and operational/maintenance plans.			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
6.5	Risk management is applied to prioritise maintenance tasks.	A risk assessment was completed as part of the Asset Management Plan and the results are considered in prioritising operational and maintenance tasks.			
6.6	Maintenance costs are measured and monitored.	Maintenance costs are tracked through the FMIS and actual/budget reporting each month.			
7	ASSET MANAGEMENT INFORMATION SYSTEM	Process Rating	A	Performance Rating	1
7.1	Adequate system documentation for users and IT operators.	The Asset Management Plan and associated financial, asset management and risk management documented sighted.			
7.2	Input controls include appropriate verification and validation of data entered into the system.	Excel spreadsheets are used and data is checked when input.			
7.3	Logical security access controls appear adequate, such as passwords.	The AMP and the accompanying Excel spreadsheets are saved on the server. There is a password access to the Shire's system and the EHO's PC which restricts access to authorised Shire officers.			
7.4	Physical security access controls appear adequate.	The Shire offices are locked and alarmed outside of hours.			
7.5	Data backup procedures appear adequate.	The system is regularly backed up as part of the standard IT maintenance procedures on weekly basis.			
7.6	Key computations related to licensee performance reporting are materially accurate.	<p>Some Excel spreadsheets contains formulas such as, for example:</p> <ul style="list-style-type: none"> - In the Risk Assessment spreadsheet, inherent risk is automatically assigned from the likelihood and overall consequence scores; - In the Annual Capital Investment Budget spreadsheet and in the Annual Operations & Maintenance Budget spreadsheet, the light blue cells are automatically calculated. <p>Apart from viewing the computations in the formula bar, no documentation of key computations has been provided to the Shires.</p> <p>Audit tested the accuracy of computations on a sample basis and confirmed the computations tested were accurate.</p>			
7.7	Management reports appear adequate	Apart from printing the Excel spreadsheets out, there is no ability to create management reports.			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	for the licensee to monitor licence obligations.	However, the functionality of the suite of Excel spreadsheets provided by the Authority to Shires for asset management planning purposes appears to be adequate for the Shire's needs.			
8	RISK MANAGEMENT	Process Rating	A	Performance Rating	1
8.1	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	The Risk Assessment has been sighted (June 2011). The Shire advises this will be reviewed annually as part of reviewing the AMP in May each year.			
8.2	Risks are documented in a risk register and treatment plans are actioned and monitored.	The Risk Assessment has been sighted. A Contingency Plan (overall management plans) and staff are available to deal rapidly with identified risks. Control measures are in place to deal with identified risks.			
8.3	The probability and consequences of asset failure are regularly assessed.	The Risk Assessment has been sighted.			
9	CONTINGENCY PLANNING	Process Rating	B	Performance Rating	3
9.1	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	<p>Management strategies have been included in the AMP. The Shire's Building Maintenance Officer has been nominated to attend emergencies. Detailed contingency plans are due to be developed by June 2012. No testing has been conducted.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Complete the development of detailed contingency plans to support the management strategies in the Asset Management Plan. ▪ Conduct testing of the contingency plans, such as annually. <p><i>(Post Audit Implementation Plan item 2.2)</i></p>			
10	FINANCIAL PLANNING	Process Rating	A	Performance Rating	1
10.1	The financial plan states the financial objectives and strategies and actions	The Annual Capital Investment Budget Excel spreadsheet and the Annual Operations and Maintenance Budget Excel spreadsheet outline the financial objectives. The Annual budget process takes this and allocates resources to			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	to achieve the objectives.	each activity. Sighted the Shire of Victoria Plains Capital Investment and Maintenance Budgets.			
10.2	The financial plan identifies the source of funds for capital expenditure and recurrent costs.	The Shire maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Victoria Plains Sewerage Scheme.			
10.3	The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	The Annual Budget document is completed for each coming financial year for the Shire which includes the Sewerage System. Actual/budget income and expenditure is monitored. Sighted the Shire of Victoria Plains Capital Investment and Maintenance Budgets.			
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	Operating expenditure on the scheme is covered by rates charged to ratepayers.			
10.5	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	A new AMP with 5 year expenditure estimates was completed in June 2011. The supporting data in the Capital Investment and Maintenance Budgets have forward projects budgeted up until 2061. A separate Sewerage Reserve account is maintained and has a balance of \$61,755 at 30 June 2011. The AMP estimates capital expenditure of \$15,000 over the next 5 years which is covered by the reserve funds. Reserve to be reviewed each year as part of the annual budget process.			
10.6	Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.	Variations in actual and budget income and expenses are identified in monthly reports.			
11	CAPITAL EXPENDITURE PLANNING	Process Rating	A	Performance Rating	1
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	The forecast lifecycle asset replacement program is included in the Annual Capital Investment Budget Excel spreadsheet.			
11.2	The plan provides reasons for capital expenditure and timing of expenditure.	The analysis assumes that assets will be replaced at the end of their standard economic life.			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
11.3	The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.	The capital expenditure plan would appear to be consistent with the estimated replacement year. In reality some assets will fail earlier than the standard life and some assets will remain useful beyond the standard replacement life. As noted in item 3.1, the condition of assets needs to be recorded in the Asset Register after each inspection.			
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	A process of review is in place for the yearly update of the capital investment plans.			
12	REVIEW OF ASSET MANAGEMENT SYSTEM	Process Rating	B	Performance Rating	2
12.1	A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.	<p>During the audit period, the Shire has reviewed the overall Asset Management System in total and introduced a new Asset Management Plan (AMP). The Authority was notified of progress in PAIP reports.</p> <p>The audit confirmed with the Shire's EHO that apart from the new AMP, there were no material changes made to the asset management system that would require notification to the Authority.</p> <p>The Shire has developed and implemented the Compliance Schedule. However the Schedule does not include the required timeframes for the notification of the asset management system changes to the Authority.</p> <p>A new AMP was issued in June 2011. However, the Monitoring and Review Procedures section of the AMP has not been updated for the requirement to notify the Authority of any changes to the asset management system within the required timeframe.</p> <p>Also, the Document history section was not included in the AMP update June 2011 due to an oversight.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Update the Asset Management Plan - Monitoring and Review Procedures section for the requirement to notify the Authority of any changes to the asset management system within 10 business days. ▪ Note the required timeframes for the notification of the asset management system changes to the Authority in the Compliance Schedule. ▪ Update the AMP for a document history section which will detail in a tabular form the date of the review or update of the document, person who performed it and brief description of the changes to the document from the previous version. <p><i>(Post Audit Implementation Plan item 1.1)</i></p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
12.2	Independent reviews (e.g. internal audit) are performed of the asset management system.	An independent review is performed every 3 years as required by the licence.

4.4 Conclusion

The review of the Asset Management System has shown that the processes are well defined and that Shire staff are familiar with the requirements of the system and apply it in the planning of future requirements, financial planning and the day to day operational running of the system.

The review confirmed that out of 7 previous review recommendations in the report dated May 2009, 5 have been completed and 2 have been partially completed.

The partially completed issues were as follows:

- The requirement to advise to the Authority within 10 business days of any changes to the asset management system is not documented in the Compliance Schedule or the Asset Management Plan; and
- Management strategies for the contingency plans have been included in the Asset Management Plan but detailed contingency plans have not yet been documented and the plans have not been tested.

One new issue noted was that the condition of asset components is not recorded in the Asset Register after inspections.

The review recommended that:

- In respect of changes to the asset management system, documenting the requirement to advise to the Authority within 10 business days, and tracking changes to the Asset Management Plan in the document history;
- Recording in the Asset Register the condition assessment of each asset component after inspections; and
- Completing the development of contingency plans and annual testing.

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

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

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

Appendix A: Post Audit Implementation Plan

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
1	Operational Audit				
1.1 (item 44)	<p>Notify Changes to Asset Management System</p> <p>The audit confirmed with the Shire's EHO that apart from the new Asset Management Plan, there were no material changes made to the asset management system that would require notification to the Authority.</p> <p>The Shire has developed and implemented the Compliance Schedule. However the Schedule does not include the required timeframes for the notification of the asset management system changes to the Authority.</p> <p>A new AMP was issued in June 2011. However, the Monitoring and Review Procedures section of the AMP has not been updated for the requirement to notify the Authority of any changes to the asset management system within the required timeframe.</p> <p>Also, the Document history section was not included in the AMP update June 2011 due to an oversight.</p>	Medium	<p>a) Update the Asset Management Plan - Monitoring and Review Procedures section for the requirement to notify the Authority of any changes to the asset management system within 10 business days.</p> <p>b) Note the required timeframes for the notification of the asset management system changes to the Authority in the Compliance Schedule.</p> <p>c) Update the AMP for a document history section which will detail in a tabular form the date of the review or update of the document, person who performed it and brief description of the changes to the document from the previous version.</p>	<p><i>Noted. AMP will be updated accordingly and Authority notified of any changes within 10 business days.</i></p> <p><i>The Compliance Schedule will be amended to include required timeframes.</i></p> <p><i>AMP will be updated accordingly</i></p>	<p><i>Principal Environmental Health Officer (PEHO)</i></p> <p><i>Within 10 working days of any changes.</i></p> <p><i>PEHO</i></p> <p><i>28/02/2012</i></p> <p><i>PEHO</i></p> <p><i>30/03/2012</i></p>

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
1.2 (item 48)	<p>Information Reporting to the Authority</p> <p>In accordance with the Water Compliance Reporting Manual May 2011, the Shire is required to submit to the Authority:</p> <ul style="list-style-type: none"> • Annual performance reports no later than 31 July for the reporting year ending 30 June; and • Annual compliance reports by 31 August for the year ending 30 June. <p>The audit reviewed the Shire's Compliance and Performance Reports for the years ending 30 June 2009, 2010 and 2011 and the Authority and noted the following exceptions:</p> <ul style="list-style-type: none"> • The Performance Report for the year ended 30 June 2009 was submitted after the due date. The Authority acknowledged this non-compliance. The Compliance Report for the year ending 30 June 2010 should have reported this as a non-compliance; and • The Compliance Report for the year ended 30 June 2010 was submitted after the due date. The Authority acknowledged this non-compliance. The Compliance Report for the year ending 30 June 2011 should have reported this as a non-compliance. <p>The Shire has developed and implemented the Compliance Schedule with the annual performance and compliance reporting due dates included</p>	Medium	<p>a) Ensure that all future Performance and Compliance Reports are submitted to the Authority within the timeframes required.</p> <p>b) Keep track of any non-compliances with the licence obligations to include in future Compliance Reports.</p>	<p><i>Compliance Schedule will assist with meeting timeframes for reporting</i></p> <p><i>Noted.</i></p>	<p>PEHO</p> <p>PEHO</p>

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	which should ensure future due dates are met.				
2	Asset Management System Review				
2.1	<p>Asset Disposal</p> <p>Under-utilised and under-performing assets should be identified as part of a regular systematic review process.</p> <p>An Asset Register and Condition Performance Spreadsheet were sighted. The gravity system is inspected bi-annually wherein lids are inspected and re-greased. Reporting is by exception only.</p> <p>However, the Asset Register is not updated to accurately reflect the condition of individual components of the system.</p>	Medium	Record in the Asset Register, the condition of each asset component of the scheme based on inspections carried out.	<i>Building Maintenance Officer to undertake inspections and record information in Asset Register.</i>	<i>Building Maintenance Officer (BMO)</i> <i>30/6/2012</i>
2.2	<p>Contingency Plans</p> <p>Contingency plans should be documented, understood and tested to confirm their operability and to cover higher risks.</p> <p>Management strategies have been included in the Asset Management Plan. The Shire's Building Maintenance Officer has been nominated to attend emergencies. Detailed contingency plans are due to be developed by June 2012. No testing has been conducted.</p>	Medium	<p>a) Complete the development of detailed contingency plans to support the management strategies in the Asset Management Plan.</p> <p>b) Conduct testing of the contingency plans, such as annually.</p>	<p><i>Advice will be sought from the Authority as to what is exactly required in relation to this requirement given that the Shire's sewerage system is quite simplistic.</i></p> <p><i>As above, clarification will be sought from the Authority as to what level of testing of contingency plans is required in order to develop appropriate testing.</i></p>	<p><i>PEHO, BMO</i> <i>30/06/2012</i></p> <p><i>PEHO, BMO</i> <i>30/06/2012</i></p>

END OF REPORT