



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

Operational Audit and  
Asset Management  
System Review

Final Report

May 2012

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## Executive Summary

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The Shire of Koorda 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 township of Koorda.

The Koorda sewerage scheme was originally constructed during 1980. The scheme is operated by the Shire of Koorda and includes a gravity reticulation system, two pump stations and a treatment plant. The scheme collects and treats approximately 25,000 kl per annum of residential and commercial liquid wastes for approximately 250 people.

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

The audit covered the period from 1<sup>st</sup> December 2008 to 30<sup>th</sup> 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 Koorda has complied with all of its Water Services Operating Licence performance and quality standards and licence obligations during the audit period 1<sup>st</sup> December 2008 to 30<sup>th</sup> November 2011 with one minor non-compliance as follows:

- Not complying with the performance standard of having fewer than 40 blockages per 100km of sewer main per year in 2009/10 and 2010/11 (this represents a minor breach as there were only 2 or 4 blockages per year).

The audit reviewed the action taken on previous recommendations in the audit report dated April 2009 and confirmed that out of the 6 previous audit recommendations, 5 have been completed, 1 is no longer applicable, and 1 is partly completed. This demonstrates that there has been an improvement in compliance with the licence conditions.

The partly 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.

One new issue was identified in this audit as follows:

- Performance reports for 2008/09 and 2010/11 were submitted after the due dates (within the following month) and the non-compliances should be included in the following years' compliance reports.

The audit recommended that the Shire:

- Monitor the level of blockages to achieve compliance with the performance standard and take corrective action as required;
- Ensure that performance reports are submitted to the Authority by the due dates and that compliance reports include all non-compliances; and
- Update the Monitoring and Review Procedures section of the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within the required timeframe and note the required

timeframes in the Compliance Schedule to ensure regulatory timeframes are met in case of changes occurring.

The audit confirmed the Shire of Koorda has complied with all of its information reporting obligations for the period 1<sup>st</sup> July 2008 to 30<sup>th</sup> June 2011. There were no non-compliances identified.

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

### **ASSET MANAGEMENT SYSTEM REVIEW**

The review of the Asset Management System has shown that the processes are well defined and monitored in practice.

The review confirmed that out of 5 recommendations in the previous review report dated April 2009, 4 have been completed and 1 has been partially completed.

The partially completed issue concerned:

- Detailed contingency plans have been developed but they have not been tested as yet to confirm their operation.

Two new issues were noted as follows:

- All assets were last inspected in 2007. There is no evidence of the annual inspections by February each year being performed and the Excel spreadsheet being updated; and
- The Asset Management Plan needs to be updated for any changes in the 2009 operating licence from the Authority.

The review recommended that the Shire:

- Implement a program of formal inspection and reporting on the condition of all assets and update the Asset Condition and Performance spreadsheet each year;
- Update the Asset Management Plan for the issue of the 2009 operating licence and any changes to requirements; and
- Test/review the contingency plans on an annual basis and retain a record.

The key components of the infrastructure including the Imhoff treatment tank, primary treatment pond, overflow pond and pump stations were inspected and appeared to be in reasonable condition. No performance assessment was undertaken.

Overall, the asset management system is 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 Koorda.

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

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### Report on the Operational Audit of the Water Services Operating Licence

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

#### Respective Responsibilities

The Shire of Koorda 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 Koorda 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 1<sup>st</sup> December 2008 to 30<sup>th</sup> 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 Koorda 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 Koorda has complied, in all material respects, with the performance and quality standards and obligations of the Water Services Operating Licence for the period from 1<sup>st</sup> December 2008 to 30<sup>th</sup> 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          6 JUNE 2012

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

Operational Audit and  
Asset Management  
System Review  
- Introduction

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## 1. Background

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The Shire of Koorda 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 township of Koorda.

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 Koorda sewerage scheme was originally constructed during 1980. The scheme is operated by the Shire of Koorda and includes a gravity reticulation system, two pump stations and a treatment plant. The scheme collects and treats approximately 25,000 kl per annum of residential and commercial liquid wastes for approximately 250 people.

The scheme consists of 4.35 km of gravity mains. The primary and overflow ponds have a storage capacity of 8,784m<sup>3</sup>.

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

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### 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 1<sup>st</sup> December 2008 to 30<sup>th</sup> November 2011 inclusive and was conducted in December 2011 to January 2012.

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

## 2.3 Licensee's Representatives Participating in the Audit

- Julian Goldacre - Environmental Health Officer (EHO)
- David Burton - Chief Executive Officer (CEO)

## 2.4 Key Documents Examined

- Shire of Koorda Water Services Operating Licence 21 Version OL2 dated 15 May 2009
- Audit Report - Shire of Koorda Water Licence Operational Audit and Asset Management Review dated 30 April 2009
- Post Audit Implementation Plan - Shire of Koorda Water Licence Operational Audit and Asset Management Review dated 30 April 2009;
- Customer Service Charter for wastewater services for the Shire of Koorda townsite sewerage scheme
- Shire of Koorda Annual Reports for 2008/09, 2009/10 and 2010/11
- Compliance Schedule
- Sewerage System Defect Reports for the years 2008/09, 2009/10 and 2010/11
- Shire of Koorda Asset Management Plan Sewerage Scheme Assets July 2009
- Performance Reports to the Authority for the years ended 30 June 2009, 2010 and 2011
- Compliance Reports to the Authority for the years ended 30 June 2009, 2010 and 2011
- Correspondence between the Shire and the Authority.
- Shire of Koorda Waste Water Assets Management System – Asset Register Excel spreadsheet
- Shire of Koorda Waste Water Assets Management System – Asset Condition and Performance Excel spreadsheet
- Shire of Koorda Waste Water Assets Management System – Risk Assessment Excel spreadsheet
- Shire of Koorda Waste Water Assets Management System – Financial Planning Excel spreadsheets
- Shire of Koorda Waste Water Assets Management System – Maintenance Management Excel spreadsheets
- Shire of Koorda Waste Water Assets Management System – Annual Operations and Maintenance Budget Excel spreadsheets
- Shire of Koorda Waste Water Assets Management System – Koorda Inventory Control
- Management of Risk Procedures
- GIS Koorda Sewer Scheme
- Koorda Budget 2011/12
- Koorda Plan for the Future 2011/2016
- Sewerage Defect Reports.

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

### Asset management process - Performance ratings

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

### 2.7 Audit Team and Hours

| NAME AND POSITION   | HOURS |
|---|-------|
| Geoff White – Director  | 8     |
| Andrea Stefkova – Assistant Manager                           | 20    |
| David Wills – Principal Engineer (David Wills and Associates) | 8     |
| TOTAL   | 36    |

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### 3. Operational Audit

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

#### 3.1 Summary of Compliance Ratings

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

| No. <sup>1</sup>                           | Operating Licence Compliance Element   | Operating Licence reference<br>(Cl.=clause, Sch.=schedule) | Consequence<br>(1=minor, 2=moderate, 3=major) | Likelihood<br>(A=likely, B=probable, C=unlikely) | Inherent Risk<br>(Low, Medium, High) | Adequacy of existing controls<br>(S=strong, M=moderate, W=weak) | Compliance Rating<br>(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 |   |
| <b>WATER SERVICES LICENSING ACT 1995</b>   |  |  |   |  |                                      |   |   |   |   |   |   |     |     |   |
| 1  | General duty to provide services   | n/a  | 1   | C  | Low                                  | Strong  |   |   |   |   |   | ✓   |     |   |
| 2  | Regulations prescribing standard of service  | Cl. 19   | 3   | B  | High                                 | Moderate  | ✓   |   |   |   |   |     |     |   |
| 3  | Asset Management System  | Cl. 17.1   | 2   | C  | Medium                               | Moderate  |   |   |   |   |   | ✓   |     |   |
| 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                                 | Moderate  | ✓   |   |   |   |   |     |     |   |
| <b>WATER COORDINATION REGULATIONS 1996</b> |  |  |   |  |                                      |   |   |   |   |   |   |     |     |   |
| 8  | Payment of fees  | Cl. 4.1  | 1   | C  | Low                                  | Strong  |   |   |   |   |   |     |     | ✓ |
| <b>OTHER LICENCE CONDITIONS</b>            |  |  |   |  |                                      |   |   |   |   |   |   |     |     |   |
| 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   | Staff trained to respond to complaints   | Sch.3 Cl.3.2(b)  | N/A   | N/A  | N/A                                  | N/A   |   |   |   |   |   |     | ✓   |   |
| 13   | Staff authorised to make decisions on complaints   | Sch.3 Cl.3.9(b)  | 1   | C  | Low                                  | Strong  |   |   |   |   |   | ✓   |     |   |
| 14   | Complaints system  | Sch.3 Cl.3.2(d)  | 2   | B  | Medium                               | Strong  |   |   |   |   |   | ✓   |     |   |
| 15   | <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  |   |   |   |   |   |     |     | ✓ |

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

| No. <sup>1</sup> | Operating Licence Compliance Element  | Operating Licence reference<br>(Cl.=clause, Sch.=schedule) | Consequence<br>(1=minor, 2=moderate, 3=major) | Likelihood<br>(A=likely, B=probable,<br>C=unlikely) | Inherent Risk<br>(Low, Medium, High) | Adequacy of existing controls<br>(S=strong, M=moderate,<br>W=weak) | Compliance Rating<br>(1=significantly non-compliant<br>, 2=non-compliant,<br>3 =compliant, 4 = compliant,<br>5=compliant, N/A = not<br>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                               | Moderate   |  |   |   | ✓ |   |     |     |   |  |   |
| 21               | Charter reviewed every 3 years  | Sch.3 Cl. 2.6  | 2   | C   | Low                                  | Strong   |  |   |   |   |   | ✓   |     |   |  |   |
| 22               | Services consistent with Charter  | Sch.3 Cl. 2.7  | 2   | C   | Medium                               | Strong   |  |   |   |   |   | ✓   |     |   |  |   |
| 23               | Customer consultation process   | Cl. 8  | 2   | C   | Medium                               | Strong   |  |   |   |   |   | ✓   |     |   |  |   |
| 24               | Customer Council or at least two other forums                                   | Sch.3 Cl. 4.1  | 2   | C   | Medium                               | Strong   |  |   |   |   |   |     |     |   |  | ✓ |
| 25               | Consult the Authority on type and extent of customer consultation               | Sch.3 Cl. 4.2  | 2   | C   | Medium                               | Strong   |  |   |   |   |   | ✓   |     |   |  |   |
| 26               | If requested, establish other forums  | Sch.3 Cl. 4.3  | 2   | C   | Medium                               | Strong   |  |   |   |   |   |     |     |   |  | ✓ |
| 27               | <i>Not applicable (only applies to irrigation licences)</i>                     | Sch.3 Cl. 4.4  | N/A   | N/A   | N/A                                  | N/A  |  |   |   |   |   |     |     | ✓ |  |   |
| 28               | Customer consultation prior to major changes                                    | Sch.3 Cl. 4.5  | 2   | B   | Medium                               | Strong   |  |   |   |   |   |     |     |   |  | ✓ |
| 29               | Council public question time  | Sch. 3 Cl. 4.6   | 2   | B   | Medium                               | Strong   |  |   |   |   |   | ✓   |     |   |  |   |
| 30               | Modified customer agreements  | Sch. 3 Cl. 5.1   | 2   | B   | Medium                               | Strong   |  |   |   |   |   |     |     |   |  | ✓ |
| 31               | Annual report of non-standard agreements  | Sch. 3 Cl. 5.4   | 2   | B   | Medium                               | Strong   |  |   |   |   |   |     |     |   |  | ✓ |
| 32               | Customer survey, if directed by Authority                                       | Sch. 3 Cl. 6   | 2   | C   | Medium                               | Strong   |  |   |   |   |   |     |     |   |  | ✓ |
| 33 to 40         | <i>Not applicable (only applies to potable water licences)</i>                  | Cl. 9  | N/A   | N/A   | N/A                                  | N/A  |  |   |   |   |   |     |     | ✓ |  |   |
| 41               | Compliance with accounting standards  | Cl. 15.1   | 1   | C   | Medium                               | Strong   |  |   |   |   |   | ✓   |     |   |  |   |
| 42               | Compliance with Operational Audit Guidelines                                    | Cl. 16.2   | 1   | C   | Medium                               | Strong   |  |   |   |   |   | ✓   |     |   |  |   |
| 43               | Initial notification of asset management system (AMS) on licence commencement   | Cl. 17.1   | 2   | C   | Low                                  | Strong   |  |   |   |   |   | ✓   |     |   |  |   |
| 44               | Notify Authority of changes to AMS within 10 business days                      | Cl. 17.2   | 1   | C   | Low                                  | Moderate   |  |   |   |   |   |     |     |   |  | ✓ |
| 45               | Compliance with Asset Management Review guidelines                              | Cl. 17.4   | 2   | B   | Medium                               | Strong   |  |   |   |   |   | ✓   |     |   |  |   |
| 46               | Report on external administration or significant financial or technical changes | Cl. 18.1   | 3   | C   | High                                 | Strong   |  |   |   |   |   |     |     |   |  | ✓ |
| 47               | Provide any information requested by Authority                                  | Cl. 21.1   | 1   | C   | Medium                               | Strong   |  |   |   |   |   |     |     |   |  | ✓ |
| 48               | Information reporting requirements  | Cl. 21.2   | 2   | B   | Medium                               | Weak   |  | ✓ |   |   |   |     |     |   |  |   |
| 49               | Publish information directed by Authority                                       | Cl. 22.2 - .4  | 2   | B   | Low                                  | Strong   |  |   |   |   |   |     |     |   |  | ✓ |
| -                | Written conditions for connections  | Sch.6 Cl. 2.1  | 2   | B   | Medium                               | Strong   |  |   |   |   |   | ✓   |     |   |  |   |
| -                | Services available for connection   | Sch.6 Cl. 2.2  | 2   | B   | Medium                               | Strong   |  |   |   |   |   | ✓   |     |   |  |   |
| -                | 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 April 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<br>(n/a)     | <b>Incident Reporting</b><br>The requirement to report incidents was removed from water licences in May 2009.            | The Shire's Annual Performance Report for 2005/06 reported 10 sewerage overflows attributable to a blockage or failure in the licensee's infrastructure. However, as confirmed through discussion with the Shire's EHO, the Shire of Koorda did not report these overflows to the Authority within 5 days of its occurrence.<br><br>No sewerage overflows were reported to the Authority as per the Annual Performance Reports for 2006/07 and 2007/08 periods. | 2                  | Inform the Authority of any sewerage overflows from wastewater/ sewerage infrastructure, including wastewater treatment plants, pumping stations etc. within five days of their occurrence.<br><br>Develop and implement a compliance schedule with timeframes for incident reporting noted in the schedule to ensure regulatory timeframes are met in case of overflows occurring. | <i>A compliance schedule will be developed and implemented.</i><br><br>EHO<br>30 June 2009   | No longer applicable - No action required.   | CLOSED    |
| 1.2<br>(item 48) | <b>Information Reporting Requirements</b><br>The licensee must comply with the information reporting requirements as set | The audit confirmed that the licensee had produced reports as per the requirements of Schedule 3 of the licence for the 2005/06, 2006/07 and 2007/08 periods.<br><br>Audit noted that although the Annual Performance Reports for 2006/07 and 2007/08 were  | 2                  | Develop and implement a compliance schedule with timeframes for annual performance report submission included as part of the schedule of events to  | <i>A compliance schedule will be developed and implemented.</i><br><br><i>Documentation explaining where and how to source the</i> | The Compliance Schedule has been developed and implemented, with the annual performance and compliance reporting due date set for no later than 30 <sup>th</sup> | COMPLETED |

| Item             | Licence Condition  | Previous Audit Findings  | Prev. Comp. Rating | Recommended Corrective Actions   | Post Audit Action Plan   | Action Taken  | Status    |
|------------------|--|--|--------------------|--|--|---|-----------|
|                  | out in Schedule 5.   | <p>submitted within the required time, on 13<sup>th</sup> July 2007 and 27<sup>th</sup> June 2008 respectively, the 2005/06 report had been submitted to the Authority on 7<sup>th</sup> September 2006 and therefore not on time in compliance with the licence requirements. 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> |                    | <p>ensure regulatory timeframes are met. The compliance schedule will also assist compliance with regulatory timeframes by the replacement staff if the Shire's EHO is not available due to leave or illness.</p> <p>Create documentation to explain where and how to source the required information.</p> | <p><i>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>30 June 2009</i></p>                                      | <p>July. The Water Compliance Reporting Manual requires performance reports to be submitted to the Authority by the 31 July each year and compliance reports by 31 August each year.</p> <p>The Compliance Schedule also includes references on how and where to source the required information.</p> |           |
| 1.3<br>(item 14) | <p><b>Customer Complaints</b></p> <p>The licensee must provide an appropriate system to monitor and record the number, nature of and outcomes to complaints.</p> | <p>The form to be filled out to submit a complaint, enquiry or suggestion to the Shire is contained in Appendix 1 of the Customer Service Charter.</p> <p>For the 12 month period to the 30 June 2008 four (4) sewerage system defect reports were received. However, these were not treated as written customer complaints, but reported as sewerage blockages to the Authority in the Annual Performance Report for 2007/08 period.</p>  | 3                  | <p>The Complaint Register should be developed and maintained by the 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</p>                              | <p><i>The Complaints Register will be developed and maintained by 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</i></p> | <p>Complaint forms and Sewerage Defect Forms are kept on the physical file and scanned once a year and saved on the network. Considered adequate.</p>   | COMPLETED |



| Item                     | Licence Condition   | Previous Audit Findings   | Prev. Comp. Rating | Recommended Corrective Actions   | Post Audit Action Plan  | Action Taken   | Status           |
|--------------------------|---|---|--------------------|--|---|--|------------------|
|                          |   | <p>No written customer complaints were reported to the Authority as per the Annual Performance Reports during the audit period.</p> <p>The completed Sewerage System Defect Reports are kept on the file, but no Complaints Register is in place to record details of customer complaints and their outcomes.</p>   |                    | <p>recorded in the Complaints Register in sufficient details on the complaint and its resolution.</p>  | <p><i>recorded in the Complaints Register in sufficient details to reflect the recommendation.</i></p> <p>EHO</p> <p>31 July 2009</p>   |  |                  |
| 1.4<br>(items 4, 5 & 44) | <p><b>Asset Management System</b></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 AMP contains a section on Monitoring and Review Procedures that require the AMP to be reviewed five yearly and reissued when changes occur to the current system, processes and procedures. The maintenance and capital investment plans shall be revised annually. However, the audit noted that the requirement to notify any changes to the system to the Authority is not stated in the AMP's review procedures.</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. The implementation of the Asset Management System review was</p> | 4                  | <p>Update the Monitoring and Review Procedures section of the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within the required timeframe.</p> <p>Develop and implement the compliance schedule with Asset Management System review dates included as part of the schedule of events to ensure regulatory timeframes are met.</p> <p>Note the required</p> | <p><i>The Monitoring and Review Procedures section of the Asset Management Plan will be updated to reflect the recommendation.</i></p> <p>EHO</p> <p>30 September 2009</p> <p><i>A compliance schedule will be developed and implemented; and the required timeframes for the notification of</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>Also, the Monitoring and Review Procedures section of the Asset Management Plan has not been updated for the requirement to notify</p> | PARTLY COMPLETED |

| Item                   | Licence Condition   | Previous Audit Findings  | Prev. Comp. Rating | Recommended Corrective Actions  | Post Audit Action Plan  | Action Taken   | Status    |
|------------------------|---|--|--------------------|---|---|--|-----------|
|                        |   | reactionary to a note sent by Authority and not planned.   |                    | timeframes for the notification of the asset management system changes to the Authority in the compliance schedule to ensure regulatory timeframes are met in case of changes occurring in the asset management system. | <i>the asset management system changes to the Authority noted in the schedule to reflect the recommendation.</i><br><br>EHO<br>30 June 2009 | the Authority of any changes to the asset management system within 10 business days.<br><br><i>(Post Audit Implementation Plan item 1.1)</i>                               |           |
| 1.5<br>(item 6)        | <b>Operational Audit</b><br>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 and will be completed within the prescribed time.<br><br>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 ERA 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><br><br>EHO<br>30 June 2009  | The Compliance Schedule has been developed and implemented with the Operational Audit dates included.  | COMPLETED |
| 1.6<br>(items 20 & 21) | <b>Customer Service Charter</b><br>The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence.  | The Shire of Koorda Customer Service Charter has been reviewed in June 2008 and approved by the Authority on 30 June 2008.<br><br>The audit found that the Shire of Koorda has submitted their new charter for approval within an acceptable timeframe. However,   | 4                  | Increase accessibility of the Charter by making the Customer Charter available to customers on the website.<br><br>Develop and implement a compliance schedule  | <i>The Customer Service Charter will be made available to customers on the Shire's website.</i><br><br>Finance Manager                      | The audit confirmed that the Customer Service Charter is available to customers on the website.<br><br>The Compliance Schedule has been developed and implemented with the | COMPLETED |

| Item | Licence Condition   | Previous Audit Findings  | Prev. Comp. Rating | Recommended Corrective Actions   | Post Audit Action Plan  | Action Taken  | Status |
|------|---|--|--------------------|--|---|---|--------|
|      | The licensee must review its Customer Service Charter at least once in every three year period. | <p>we did not identify a process in place to ensure that the timeframes would be met in future.</p> <p>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.</p> <p>The Shire's EHO advised that the Shire of Koorda advertise the notice advising availability of the Customer Service Charter in the local newspaper annually. However, 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.</p> |                    | <p>with the Customer Service Charter review dates included as part of the schedule of events to ensure regulatory requirements are met.</p> <p>Note the Customer Service Charter annual notification requirement in the compliance schedule to ensure that customers are advised of the availability of the Customer Service Charter on an annual basis.</p> | <p>31 July 2009</p> <p><i>A compliance schedule will be developed and implemented; and the Customer Service Charter annual notification requirement will be noted in the schedule to reflect the recommendation.</i></p> <p>EHO</p> <p>30 June 2009</p> | <p>Customer Service Charter review dates included.</p> <p>The Compliance Schedule also includes the requirement to advertise the Charter every year by a notice in the local paper for 2 weeks and when Rate Notices are sent indicating availability on request and location in the Shire library.</p> |        |

### 3.3 Audit Results and Recommendations

| No <sup>2</sup>  | Licence Condition                             | Obligation Under Condition | Description  | Risk Type<br>(1= Major, 2=Moderate, N/R= Not reportable) | Audit Priority<br>(1=highest, 5=lowest) | System established to comply with licence obligation (including any potential improvements)  | Compliance rating<br>(Refer to the 7-point rating scale in section 2.5) |
|--|---|----------------------------|--|--|---|--|---|
| <b>DETAILED COMPLIANCE OBLIGATIONS</b>                                     |   |                            |  |  |   |  |   |
| <b>LICENCE COMPLIANCE REQUIREMENTS – WATER SERVICES LICENSING ACT 1995</b> |   |                            |  |  |   |  |   |
| 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                                       | As per item 7 – Non-compliance with the requirement to have fewer than 40 blockages per 100km of sewer main per year for the year ended 30 June 2010 and 2011 (minor exception with only 2 -4 blockages per year)..<br>Refer recommendation in item 7. | 2<br>(minor exception)  |
| 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                                | Clause                     | The Licensee must notify the Authority of any changes to                               | 2  | 5                                       | The audit confirmed with the Shire's EHO that during the audit period, there were no material changes made to the  | N/R   |

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

| No<br>2 | Licence<br>Condition                                      | Obligation<br>Under<br>Condition | Description   | Risk Type<br>(1= Major, 2=Moderate,<br>N/R= Not reportable) | Audit Priority<br>(1=highest, 5=lowest) | System established to comply with licence obligation<br>(including any potential improvements)  | Compliance rating<br>(Refer to the 7-point<br>rating scale in<br>section 2.5) |
|---------|---|----------------------------------|---|---|---|---|---|
|         | Licensing Act<br>Section<br>36(1)(b)                      | 17.2                             | the Asset Management<br>System.   |   |   | asset management system that would require notification to<br>the Authority.  |   |
| 5       | Water<br>Services<br>Licensing Act<br>Section<br>36(1)(c) | Clause 17.3                      | The Licensee must not less<br>than once in every period of 24<br>months (or such other period<br>determined by the Authority)<br>provide the Authority with an<br>independent expert report,<br>acceptable to the Authority, on<br>the effectiveness of the Asset<br>management System. | 2   | 5                                       | The Asset Management System Review is now being<br>undertaken.<br><br>The Compliance Schedule has been developed and<br>implemented with the Asset Management System review<br>dates included.  | 5   |
| 6       | Water<br>Services<br>Licensing Act<br>Section 37(1)       | Clause 16.1                      | The Licensee must not less<br>than once in every period of 24<br>months (or such other period<br>determined by the Authority)<br>provide the Authority with an<br>operational audit conducted by<br>an independent expert,<br>acceptable to the Authority.                              | 2   | 5                                       | The Operational Audit is now being undertaken.<br><br>The Compliance Schedule has been developed and<br>implemented with the Operational Audit dates included.  | 5   |
| 7       | Water<br>Services<br>Licensing Act<br>Section 38(2)       | Clause 20.1                      | The licensee must comply with<br>the performance standards set<br>out in Schedule 4.<br><br>• Emergency telephone<br>response system such<br>that customers need only<br>make one call and they   | 2   | 2                                       | The audit reviewed the Shire's Performance Reports for the<br>years ended 30 June 2009, 2010 and 2011 and noted that the<br>Shire complied with all performance standards except for the<br>requirement to have fewer than 40 blockages per 100km of<br>sewer main per year as follows:<br><br>• In the year ended 30 June 2009, the Shire reported 2<br>sewer blockages, which represents a figure of 46 | 2<br>(minor exception)  |

| No<br>2   | Licence<br>Condition                              | Obligation<br>Under<br>Condition | Description  | Risk Type<br>(1= Major, 2=Moderate,<br>N/R= Not reportable) | Audit Priority<br>(1=highest, 5=lowest) | System established to comply with licence obligation<br>(including any potential improvements)  | Compliance rating<br>(Refer to the 7-point<br>rating scale in<br>section 2.5) |
|---|---|----------------------------------|--|---|---|---|---|
|   |   |                                  | <p>are advised of the nature and timing of action within one hour (Target is 90% of calls).</p> <ul style="list-style-type: none"> <li>90% of complaints resolved within 15 business days.</li> <li>Fewer than 40 blockages per 100km of sewer main per year</li> <li>90% of connected properties experience no sewerage overflows per year</li> </ul> |   |   | <p>blockages per 100km of sewer main; and</p> <ul style="list-style-type: none"> <li>In the year ended 30 June 2011, the Shire reported 4 sewer blockages, which represents a figure of 92 blockages per 100km of sewer main.</li> </ul> <p>The audit sighted copies of completed Sewerage System Defect Reports. The blockages are mainly caused by the tree roots, which is then cleared with the jetsnake.</p> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>Monitor the level of blockages to achieve compliance with the standard of fewer than 40 blockages per 100km of sewer main, and take corrective action as necessary, such as regular jetsnake clearance.</li> </ul> <p><i>(Post Audit Implementation Plan item 1.1)</i></p> |   |
| <b>LICENCE COMPLIANCE REQUIREMENTS – WATER COORDINATION REGULATION 1996</b> |   |                                  |  |   |   |   |   |
| 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   |
| <b>LICENCE COMPLIANCE REQUIREMENTS – LICENCE CONDITIONS</b>                 |   |                                  |  |   |   |   |   |
| 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   |

| No <sup>2</sup> | Licence Condition | Obligation Under Condition | Description   | Risk Type<br>(1= Major, 2=Moderate, N/R= Not reportable) | Audit Priority<br>(1=highest, 5=lowest) | System established to comply with licence obligation<br>(including any potential improvements)  | Compliance rating<br>(Refer to the 7-point rating scale in section 2.5) |
|-----------------|-------------------|----------------------------|---|--|---|---|---|
| 10              | N/A               | Schedule 3 Clause 3.1      | The licensee must resolve customer complaints within 15 business days of the receipt of complaint.  | NR   | N/A                                     | Shire of Koorda 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.<br><br>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 Koorda is a Local Government Agency so this is not applicable.   | N/A   |
| 13              | N/A               | Schedule 3 Clause 3.9(b)   | The licensee must provide one trained staff member who is authorised or has access to another officer who is authorised to make necessary decisions to respond to complaints.   | NR   | 5                                       | The Shire's CEO is authorised to make necessary decisions to settle the customer complaints or disputes. The Shire's staff have been provided with complaints resolution training through the OHS courses.  | 5   |
| 14              | N/A               | Schedule 3                 | The licensee must provide an  | NR   | 3                                       | The form to be filled out to submit a complaint, enquiry or   | 5   |

| No<br>2 | Licence<br>Condition | Obligation<br>Under<br>Condition | Description  | Risk Type<br>(1= Major, 2=Moderate,<br>N/R= Not reportable) | Audit Priority<br>(1=highest, 5=lowest) | System established to comply with licence obligation<br>(including any potential improvements)   | Compliance rating<br>(Refer to the 7-point<br>rating scale in<br>section 2.5) |
|---------|----------------------|----------------------------------|--|---|---|--|---|
|         |                      | Clause 3.2(d)                    | appropriate system to monitor and record the number, nature of and outcomes to complaints.   |   |   | suggestion to the Shire is contained in Appendix 1 of the Customer Service Charter.<br><br>The audit confirmed with the Shire's EHO that there were no sewerage related customer complaints received by the Shire over the audit period.   |   |
| 15      | N/A                  | Schedule 3<br>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 Koorda is a Local Government Agency so this is not applicable.  | N/A   |
| 16      | N/A                  | Schedule 3<br>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.<br><br>The Customer Service Charter outlines process in regards to enquiries, suggestions, complaints and disputes.                              | N/R   |
| 17      | N/A                  | Schedule 3<br>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.<br><br>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<br>Clause 3.7         | The licensee must, on request, provide complaints details to   | NR  | 4                                       | The audit confirmed with the Shire's EHO that there were no sewerage related customer complaints received by the Shire   | N/R   |



| No<br>2 | Licence<br>Condition | Obligation<br>Under<br>Condition | Description   | Risk Type<br>(1= Major, 2=Moderate,<br>N/R= Not reportable) | Audit Priority<br>(1=highest, 5=lowest) | System established to comply with licence obligation<br>(including any potential improvements)  | Compliance rating<br>(Refer to the 7-point<br>rating scale in<br>section 2.5) |
|---------|----------------------|----------------------------------|---|---|---|---|---|
|         |                      |                                  | the Department of Water.  |   |   | over the audit period.<br><br>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 Koorda Customer Service Charter was approved by the Authority on 16 November 2011.   | 5   |
| 20      | N/A                  | Schedule 3<br>Clause 2.5         | The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence. | 2   | 4                                       | The audit confirmed through sighting that the Customer Service Charter is prominently displayed at the Shire's reception, and through discussion with the Shire's EHO that the Charter is provided upon request and at no charge to customers.<br><br>In addition, the audit confirmed that the Charter is available to customers on the website.<br><br>The Shire's EHO advised that the Shire advertise the notice advising availability of the Customer Service Charter in the local newspaper annually and when the Rate Notices are sent. The audit confirmed this by sighting the information sent out to the customers with the latest Rate Notice.<br><br>The Compliance Schedule includes the requirement to advertise the Charter every year by a notice in the local paper for 2 weeks and when Rate Notices are sent, indicating its availability on request and location in the Shire library. | 5   |
| 21      | N/A                  | Schedule 3<br>Clause 2.6         | The licensee must review its Customer Service Charter at least once in every three year                                     | 2   | 5                                       | The previous charter was approved by the Authority on 18 July 2008.   | 5   |

| No<br>2 | Licence<br>Condition | Obligation<br>Under<br>Condition | Description  | Risk Type<br>(1= Major, 2=Moderate,<br>N/R= Not reportable) | Audit Priority<br>(1=highest, 5=lowest) | System established to comply with licence obligation<br>(including any potential improvements)   | Compliance rating<br>(Refer to the 7-point<br>rating scale in<br>section 2.5) |
|---------|----------------------|----------------------------------|--|---|---|--|---|
|         |                      |                                  | period.  |   |   | <p>The Authority has provided a 12 months extension to the deadline for Shire's Customer Service Charter review. The next review was due by June 2012. The Authority approved the revised Charter on 16 November 2011.</p> <p>The Shire has developed and implemented the Compliance Schedule with the Customer Service Charter review due dates included in the schedule of events to ensure regulatory timeframes are met.</p> |   |
| 22      | N/A                  | Schedule 3<br>Clause 2.7         | The licensee must provide its services consistent with its Customer Service Charter.   | 2   | 4                                       | <p>The audit confirmed that the Shire provide its services consistent with its Customer Service Charter.</p> <p>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.</p>   | 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<br>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                                       | <p>The audit confirmed with the Shire's EHO that the Shire hold regular electors meetings, provide ratepayers with the newsletter every 3 months and articles are being placed in the local newspaper.</p> <p>The Shire also allows its customers to raise matters of concern regarding the sewerage system at public question time during the Koorda Council meetings.</p>  | 5   |

| No <sup>2</sup> | Licence Condition | Obligation Under Condition | Description   | Risk Type<br>(1= Major, 2=Moderate, N/R= Not reportable) | Audit Priority<br>(1=highest, 5=lowest) | System established to comply with licence obligation<br>(including any potential improvements)   | Compliance rating<br>(Refer to the 7-point rating scale in section 2.5) |
|-----------------|-------------------|----------------------------|---|--|---|--|---|
| 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                                       | <p>The Shire's Customer Service Charter states that community involvement in the Shire's service planning and decision making processes will be sought through forums such as focus groups, customer surveys, and display at local functions. The Shire will use local media bulletins to advise customers of any system changes that may result in significant variation in its service levels.</p> <p>On 13 June 2011, an article was placed in the local paper over three weeks asking for public comment on the revised Customer Service Charter.</p> <p>The revised Shire of Koorda's Customer Service Charter was approved by the Authority on 16 November 2011.</p> | 5   |
| 26              | N/A               | Schedule 3 Clause 4.3      | The licensee must, if at the request of the Authority, establish other forums for consultations, to enable community involvement in issues relevant to licence obligations. | NR   | 4                                       | The audit confirmed with the Shire's EHO that during the audit period, there were no such requests received from the Authority.  | N/R   |
| 27              | N/A               | Schedule 3 Clause 4.4      | The licensee must hold season opening and closing public meetings, and the agenda must cover at least season opening and closing conditions, tariffs and scheme operation.  | NR   | N/A                                     | Not applicable.  | N/A   |

| No <sup>2</sup> | Licence Condition | Obligation Under Condition | Description  | Risk Type<br>(1= Major, 2=Moderate, N/R= Not reportable) | Audit Priority<br>(1=highest, 5=lowest) | System established to comply with licence obligation<br>(including any potential improvements)   | Compliance rating<br>(Refer to the 7-point rating scale in section 2.5) |
|-----------------|-------------------|----------------------------|--|--|---|--|---|
| 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 Koorda 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 the terms of the licence.              | NR   | 4                                       | The audit confirmed with the Shire's EHO that no such agreements have been entered into over the audit period.   | N/R   |
| 31              | N/A               | Schedule 3 Clause 5.4      | The licensee must publish a report annually that includes the specified information.   | NR   | 4                                       | The audit confirmed with the Shire's EHO that no agreements that may exclude, modify or restrict the terms of the licence have been entered into over the audit period.                            | N/R   |
| 32              | N/A               | Schedule 3 Clause 6        | The licensee must conduct a customer survey if directed by the Authority.  | NR   | 4                                       | The audit confirmed with the Shire's EHO that during the audit period, there were no such directions received from the Authority.  | N/R   |
| 33 to 40        | N/A               | Clause 9                   | Memorandum of Understanding  | 2  | N/A                                     | Clause 9 is not applicable.  | N/A   |

| No <sup>2</sup> | Licence Condition                       | Obligation Under Condition | Description   | Risk Type<br>(1= Major, 2=Moderate, N/R= Not reportable) | Audit Priority<br>(1=highest, 5=lowest) | System established to comply with licence obligation<br>(including any potential improvements)  | Compliance rating<br>(Refer to the 7-point rating scale in section 2.5) |
|-----------------|---|----------------------------|---|--|---|---|---|
| 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 Koorda prepares a comprehensive Annual Report for the whole of the Shire, which is independently audited by a certified auditor.<br><br>The audit sighted the Shire's Annual Report for the year ended 30 <sup>th</sup> 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   |
| 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   | 2  | 5                                       | The audit confirmed with the Shire's EHO that there were no material changes made to the asset management system that would require notification to the Authority.<br><br>The Shire has developed and implemented the Compliance  | N/R   |

| No<br>2 | Licence<br>Condition                    | Obligation<br>Under<br>Condition | Description   | Risk Type<br>(1= Major, 2=Moderate,<br>N/R= Not reportable) | Audit Priority<br>(1=highest, 5=lowest) | System established to comply with licence obligation<br>(including any potential improvements)  | Compliance rating<br>(Refer to the 7-point<br>rating scale in<br>section 2.5) |
|---------|---|----------------------------------|---|---|---|---|---|
|         |   |                                  | the date of change.   |   |   | <p>Schedule. However the Schedule does not include the required timeframes for the notification of the asset management system changes to the Authority.</p> <p>Also, the Monitoring and Review Procedures section of the Asset Management Plan has not yet been updated for the requirement to notify the Authority of any changes to the asset management system within the required timeframe.</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>▪ Update the Monitoring and Review Procedures section of the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within the required timeframe.</li> <li>▪ Note the required timeframes for the notification of the asset management system changes to the Authority in the Compliance Schedule to ensure regulatory timeframes are met in case of changes occurring in the asset management system.</li> </ul> <p><i>(Post Audit Implementation Plan item 1.2)</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 | NR  | 4                                       | The Audit Plan - Operational Audit and Asset Management System Review dated 31 October 2011 stipulates compliance requirements on auditors.   | 5   |

| No<br>2 | Licence<br>Condition | Obligation<br>Under<br>Condition | Description  | Risk Type<br>(1= Major, 2=Moderate,<br>N/R= Not reportable) | Audit Priority<br>(1=highest, 5=lowest) | System established to comply with licence obligation<br>(including any potential improvements)   | Compliance rating<br>(Refer to the 7-point<br>rating scale in<br>section 2.5) |
|---------|----------------------|----------------------------------|--|---|---|--|---|
|         |                      |                                  | expert reviewer, scope of review, conduct of the review and reporting of the outcomes of the review.   |   |   |  |   |
| 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.  | 5   |
| 48      | N/A                  | Clause 21.2                      | The licensee must comply with the information reporting requirements as set out in Schedule 5.   | 2   | 3                                       | In accordance with the Water Compliance Reporting Manual May 2011, the Shire is required to submit to the Authority: <ul style="list-style-type: none"> <li>Annual performance reports no later than 31 July for the reporting year ending 30 June; and</li> <li>Annual compliance reports by 31 August for the year ending 30 June.</li> </ul> <p>The audit reviewed the Shires Compliance and Performance Reports for the years ending 30 June 2009, 2010 and 2011 and relevant correspondence between the Shire and the</p> | 5   |

| No<br>2 | Licence Condition | Obligation Under Condition | Description | Risk Type<br>(1= Major, 2=Moderate, N/R= Not reportable) | Audit Priority<br>(1=highest, 5=lowest) | System established to comply with licence obligation (including any potential improvements)  | Compliance rating<br>(Refer to the 7-point rating scale in section 2.5) |
|---------|-------------------|----------------------------|-------------|--|---|--|---|
|         |                   |                            |             |  |   | <p>Authority and noted the following exceptions:</p> <ul style="list-style-type: none"> <li>• Performance Report for the year ended 30 June 2009 was submitted after the due date (in August 2009). The Authority acknowledged this non-compliance but this was omitted from the Compliance Report for 2010;</li> <li>• Performance Report for the year ended 30 June 2011 was submitted after the due date (in August 2011). The Authority acknowledged this non-compliance and it needs to be recorded in the Compliance Report for the year ending 30 June 2012.</li> </ul> <p>The Shire has developed and implemented the Compliance Schedule with the annual performance and compliance reporting due date set for no later than 30<sup>th</sup> July. The Compliance Schedule also includes references on how and where to source the required information.</p> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>▪ The Shire should ensure that all future Performance Reports are submitted to the Authority within the timeframes required.</li> <li>▪ The Shire should ensure that it keeps track of all non-compliances with the licence obligations and that all the future Compliance Reports are complete.</li> </ul> <p><i>(Post Audit Implementation Plan item 1.3)</i></p> |   |



| No <sup>2</sup> | Licence Condition | Obligation Under Condition | Description  | Risk Type<br>(1= Major, 2=Moderate, N/R= Not reportable) | Audit Priority<br>(1=highest, 5=lowest) | System established to comply with licence obligation<br>(including any potential improvements)  | Compliance rating<br>(Refer to the 7-point rating scale in section 2.5) |
|-----------------|-------------------|----------------------------|--|--|---|---|---|
| 49              | N/A               | Clause 22.2 and 22.4       | The licensee must publish relevant information directed to do so by the Authority within the specified timeframes.   | NR   | 5                                       | The audit confirmed with the Shire's EHO that during the audit period, no such directions were received from the Authority.   | N/R   |
| -               | N/A               | Schedule 6<br>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.<br><br>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<br>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.<br><br>The audit confirmed that the Shire provide its services consistent with its Customer Service Charter.<br><br>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<br>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 Koorda has complied with all of its Water Services Operating Licence performance and quality standards and licence obligations during the audit period 1<sup>st</sup> December 2008 to 30<sup>th</sup> November 2011 with one minor non-compliance as follows:

- Not complying with the performance standard of having fewer than 40 blockages per 100km of sewer main per year in 2009/10 and 2010/11 (this represents a minor breach as there were only 2 or 4 blockages per year).

The audit reviewed the action taken on recommendations in the previous audit report dated April 2009 and confirmed that out of the 6 previous audit recommendations, 5 have been completed, 1 is no longer applicable, and 1 is partly completed. This demonstrates that there has been an improvement in compliance with the licence conditions.

The partly 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.

One new issue was identified in this audit as follows:

- Performance reports for 2008/09 and 2010/11 were submitted after the due dates (within the following month) and the non-compliances should be included in the following years' compliance reports.

The audit recommended that the Shire:

- Monitor the level of blockages to achieve compliance with the performance standard and take corrective action as required;
- Ensure that performance reports are submitted to the Authority by the due dates and that compliance reports include all non-compliances; and
- Update the Monitoring and Review Procedures section of the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within the required timeframe and note the required timeframes in the Compliance Schedule to ensure regulatory timeframes are met in case of changes occurring.

The audit confirmed the Shire of Koorda has complied with all of its information reporting obligations for the period 1<sup>st</sup> July 2008 to 30<sup>th</sup> June 2011. There were no non-compliances identified.

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

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

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

Asset Management  
System Review –  
Detailed Report

Final Report

May 2012

## 4. Asset Management System Review

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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                  |                             |                                | 2                               |                            |           |
| 5. Asset operations                    |                                      |                                  |                           | A                  |                             |                                |                                 | 1                          |           |
| 6. Asset maintenance                   |                                      |                                  |                           | A                  |                             |                                |                                 | 1                          |           |
| 7. Asset management information system |                                      |                                  |                           | A                  |                             |                                |                                 | 1                          |           |
| 8. Risk management                     |                                      |                                  |                           | A                  |                             |                                |                                 | 1                          |           |
| 9. Contingency planning                |                                      |                                  | B                         |                    |                             |                                | 2                               |                            |           |
| 10. Financial planning                 |                                      |                                  |                           | A                  |                             |                                |                                 | 1                          |           |
| 11. Capital expenditure planning       |                                      |                                  |                           | A                  |                             |                                |                                 | 1                          |           |
| 12. Review of asset management system  |                                      |                                  |                           | A                  |                             |                                |                                 | 1                          |           |

## 4.2 Previous Review Recommendations

The status of the key recommendations in the previous audit report issued in April 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  | <b>Environmental Analysis</b><br>Compliance with statutory and regulatory requirements                           | The AMP section on Regulatory Requirements outlining the requirements of the operating licence for the sewerage services need to be updated in line with the new operating licence issued to the Shire of Koorda on 6 <sup>th</sup> August 2008.  | 4                    | Update the Asset Management Plan in line with the requirements of the new operating licence for the sewerage services issued to the Shire of Koorda on 6 <sup>th</sup> August 2008.   | <i>The Asset Management Plan will be updated to reflect the recommendations.</i><br><br>EHO<br>30 September 2009  | The Asset Management Plan was updated for the 2008 licence. | COMPLETED |
| 2.2  | <b>Risk Management</b><br>Risks are documented in a risk register and treatment plans are actioned and monitored | The Risk Management Methodology is outlined in the AMP. The Risk Assessment Excel spreadsheet has been completed for water services operating licence risks and access chambers and gravity mains. However, the sewerage pump station and wastewater treatment plant risk assessment lacks assessment of the adequacy of controls and the priority.<br><br>The Appendix 5 "Risk and SWOT Analysis" of the | 2                    | Revise the Risk Assessment following the Risk Assessment Methodology outlined in the AMP and in the Risk Assessment Excel spreadsheet and consolidate the risks identified.<br><br>Update the Risk Assessment Excel spreadsheet in line with the new operating licence for the sewerage services issued to the Shire of Koorda 6 <sup>th</sup> August 2008. | <i>The Risk Assessment will be revised and the identified risks consolidated to reflect the recommendation.</i><br><br><i>The Risk Assessment Excel spreadsheet will be updated in line with the new water services operating licence.</i><br><br>EHO | The risk assessment has been updated.                       | COMPLETED |

| Item | Asset Management Element | Previous Review Findings  | Prev. Effect. Rating | Recommended Corrective Actions | Post Audit Action Plan | Action Taken | Status |
|------|--------------------------|---|----------------------|--------------------------------|------------------------|--------------|--------|
|      |                          | <p>Shire's Customer Service Charter also identified some risks such as plant malfunction, power failure, water failure of supply, and environmental risks of fire, earthquake and lightning, however there was no risk assessment done on those risks identified and there appear to be some inconsistency in risk assessment. For example, plant malfunction was identified as a risk in the Customer Service Charter, but the risk assessment in the Excel spreadsheet rated the inherent risk of wastewater treatment plant failure as low.</p> <p>Some other risk events have been also identified in the "Mitigation and Management Strategies" section of the AMP.</p> <p>Also, the Risk Assessment Excel spreadsheet needs to be updated in line with the new operating licence for the sewerage services issued to the Shire of Koorda on 6<sup>th</sup> August 2008.</p> |                      |                                | 30 November 2009       |              |        |

| Item | Asset Management Element   | Previous Review Findings  | Prev. Effect. Rating | Recommended Corrective Actions   | Post Audit Action Plan   | Action Taken   | Status           |
|------|--|---|----------------------|--|--|--|------------------|
|      |  | Overall, the risk assessment for asset management planning is very basic. Risk identification was outlined in three different places as noted above and the risk identification is not consistent between documents.  |                      |  |  |  |                  |
| 2.3  | <p><b>Contingency Plans</b></p> <p>Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.</p> | <p>There are basic contingency planning and procedures outlined in the Risk Management section of the Asset Management Plan, but these 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.</p> <p>More detailed contingency plans documenting the steps needed to 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> | 1                    | <p>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 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"> <li>Detailed procedures;</li> <li>Key local contact</li> </ul> | <p><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></p> <p><i>The contingency plans will be then reviewed and tested on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of</i></p> | <p>The AMP contains the overall mitigation and management strategies.</p> <p>Detailed contingency plans have been developed for each risk event.</p> <p>Contingency plans have not yet been tested.</p> <p><i>(Post Implementation item 2.3)</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>details – name, number and location;</p> <ul style="list-style-type: none"> <li>• Communication protocols;</li> <li>• Specifications, location and availability of emergency equipment; and</li> <li>• Authorities that need to be contacted and when.</li> </ul> <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 appropriate persons are aware of their responsibilities in cases of emergency.</p> | <p><i>emergency.</i></p> <p><i>EHO</i></p> <p><i>30 November 2009</i></p>               |                           |           |
| 2.4  | <b>Asset Operations</b><br>Staff receive training commensurate | The audit noted that the Shire's Environmental Health Officers/Building Surveyor stated in the Asset Management Plan needs to | 3                    | The AMP needs to be updated for a change in the staff supporting the Shire's sewerage system.   | <p><i>The AMP will be updated.</i></p> <p><i>EHO</i></p> <p><i>30 November 2009</i></p> | The AMP has been updated. | COMPLETED |

| Item | Asset Management Element   | Previous Review Findings   | Prev. Effect. Rating | Recommended Corrective Actions  | Post Audit Action Plan  | Action Taken   | Status    |
|------|--|--|----------------------|---|---|--|-----------|
|      | with their responsibilities.   | be updated.  |                      |   |   |  |           |
| 2.5  | <p><b>Review of Asset Management System</b></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 AMP contains a section on Monitoring and Review Procedures that require the AMP to be reviewed five yearly and reissued when changes occur to the current system, processes and procedures. The maintenance and capital investment plans shall be revised annually.</p> <p>The audit noted that the requirement to notify any changes to the system to the Authority is not stated in the AMP's review procedures. This issue is already covered by Recommendation 1.4.</p> <p>The back page of the AMP contains a "Document Status" table that outlines the revision number, the author, the reviewer, and who approved the AMP for issue and when. The table notes that the AMP was originally approved for issue on 31/01/07. There were no further revisions of the AMP carried out. The users of the</p> | 3                    | <p>The Asset Management Plan should be reviewed in more frequent intervals i.e. annually and reissued when changes occur. Accompanying Excel spreadsheet should be updated during the year as required and revised annually.</p> <p>Keep track of all reviews of the Asset Management Plan.</p> <p>Ensure the "Document Status" table is updated every time a change to the Asset Management Plan occurs and the Asset Management Plan reissued.</p> <p>Modify the "Document Status" table to include a brief description of changes to the document from the previous version.</p> <p>Update the sections of the Asset Management Plan identified by the</p> | <p><i>AMP is generally reviewed in April of each year in the development of the following annual Shire budget.</i></p> <p><i>The track of all reviews of the AMP will be kept by the Shire.</i></p> <p><i>EHO</i></p> <p><i>31 May 2009</i></p> <p><i>The 'Document Status' table will be updated every time the Asset Management Plan is reissued; and the table will be modified to include a brief description of changes from previous version.</i></p> <p><i>The sections of the Asset management Plan identified as requiring amendment will be</i></p> | <p>The AMP was updated and re-issued in July 2009.</p> | COMPLETED |

| Item | Asset Management Element | Previous Review Findings  | Prev. Effect. Rating | Recommended Corrective Actions   | Post Audit Action Plan   | Action Taken | Status |
|------|--------------------------|---|----------------------|--|--|--------------|--------|
|      |                          | <p>AMP could benefit from a brief description of changes to the document from the previous version.</p> <p>The Monitoring and Review Procedures in the AMP suggest review of the AMP in five yearly intervals and the maintenance and capital investment plans shall be revised annually.</p> <p>The "Document Status" table does not provide for recording details about routine reviews of the document that do not escalate into the reissue of the AMP.</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"> <li>Update the AMP in line with the requirements of the new operating licence for the sewerage services issued to the Shire of Koorda on 6th August 2008;</li> </ul> |                      | operational audit and the asset management system review as requiring amendment. | <p><i>updated to reflect the recommendation.</i></p> <p><i>EHO</i></p> <p><i>30 September 2009</i></p> |              |        |

| Item | Asset Management Element | Previous Review Findings   | Prev. Effect. Rating | Recommended Corrective Actions | Post Audit Action Plan | Action Taken | Status |
|------|--------------------------|--|----------------------|--------------------------------|------------------------|--------------|--------|
|      |                          | <ul style="list-style-type: none"> <li>The AMP needs to be updated for a change in the human resources supporting the Shire's sewerage system. etc.</li> </ul> |                      |                                |                        |              |        |

### 4.3 Review Results and Recommendations

| Item no. | Criteria<br>(refer criteria in Audit Guidelines)  | Observations and results<br>(including any potential improvements)  |   |                                 |   |
|----------|---|---|---|---------------------------------|---|
|          |   | Process Rating <sup>3</sup>   | A | Performance Rating <sup>4</sup> | 1 |
| <b>1</b> | <b>ASSET PLANNING</b>   |   |   |                                 |   |
| 1.1      | Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning. | The Shire of Koorda Asset Management Plan (AMP) dated July 2009 was sighted. The goal, objective and level of service are stated in the AMP.  |   |                                 |   |
| 1.2      | Service levels are defined.   | The Shire of Koorda AMP was sighted. The goal, objective and level of service are stated in the AMP.<br>The goal and objectives have not changed since 2009.  |   |                                 |   |
| 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 Capital Investment Budget and Maintenance Budget out to 2058 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 Koorda Sewerage Scheme.<br>The Shire has a specified area rating which is applied to all properties connected or capable of being connected to the sewerage scheme in the Koorda town site. The purpose of this rate is to offset the cost of the sewerage treatment, including operation, maintenance, administration, depreciation and loan repayments. |   |                                 |   |
| 1.6      | Costs are justified and cost drivers identified.  | Recurrent costs incurred are justified through the Shire's annual budgeting process and capital costs through the Shire's normal procurement process. As demand is stable, the only real cost driver is the remaining useful life of the assets. 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  | The analysis assumes that assets will be replaced at the end of their standard economic life.   |   |                                 |   |

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

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

| Item no. | Criteria<br>(refer criteria in Audit Guidelines)   | Observations and results<br>(including any potential improvements)   |   |                    |   |
|----------|--|--|---|--------------------|---|
|          | failure are predicted.   |  |   |                    |   |
| 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.  |   |                    |   |
| <b>2</b> | <b>ASSET CREATION/ ACQUISITION</b>   | Process Rating   | A | Performance Rating | 1 |
| 2.1      | Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions. | No new assets are shown on the Capital Investment Budget. Only replacement of existing components as they reach the end of their life.   |   |                    |   |
| 2.2      | Evaluations include all life-cycle costs.  | 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, although this section needs to be updated. Refer Item 4.3 for recommendation.<br>Environmental and safety obligations are monitored by the EHO, and Works Supervisor (in respect of Shire and contract work).  |   |                    |   |
| <b>3</b> | <b>ASSET DISPOSAL</b>  | Process Rating   | A | Performance Rating | 2 |
| 3.1      | Under-utilised and under-performing assets are identified as part of a regular systematic review process.        | <p>An Asset Condition and Performance Spreadsheet was sighted.</p> <p>It is noted from the spreadsheet that all assets were last inspected in February/March 2007. The Asset Management Plan states that the condition of assets will be inspected by February each year.</p> <p>The spreadsheet has not been updated with the results of any inspections performed since 2007.</p> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>Implement a program for the inspection of all assets and update the Asset Condition and Performance spreadsheet in February each year.</li> </ul> <p><i>(Post Audit Implementation Plan item 2.1)</i></p> |   |                    |   |

| Item no. | Criteria<br>(refer criteria in Audit Guidelines)  | Observations and results<br>(including any potential improvements)  |   |                    |   |
|----------|---|---|---|--------------------|---|
| 3.2      | The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken. | As noted in section 3.1, the assessment of the condition of assets has not been updated since February/March 2007. There should be an annual asset condition appraisal to identify assets that are underperforming and corrected action taken to remedy to the situation, or disposed of. Refer recommendation in section 3.1.  |   |                    |   |
| 3.3      | Disposal alternatives are evaluated.  | According to the AMP, assets at the end of their life will be replaced with a similar capacity and the old asset dumped or recycled for scrap as appropriate.   |   |                    |   |
| 3.4      | There is a replacement strategy for assets.   | The Capital Investment Plan provides a program for the replacement of assets.   |   |                    |   |
| <b>4</b> | <b>ENVIRONMENTAL ANALYSIS</b>   | Process Rating  | A | Performance Rating | 2 |
| 4.1      | Opportunities and threats in the system environment are assessed.   | Opportunities and threats for the system are considered in the AMP and in the risk assessment spreadsheet.  |   |                    |   |
| 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. There were minor exceptions related to the number of blockages per 100 kilometres of pipeline (2 to 4 blockages per year).  |   |                    |   |
| 4.3      | Compliance with statutory and regulatory requirements.  | <p>The Asset Management Plan Section 2.3.5 Regulatory Requirements has not yet been updated for details of the 2009 operating licence issued by the Authority.</p> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>Update the Asset Management Plan to reflect the issue of the new licence to the Shire of Koorda on 15th May 2009 and any changes in the licence.</li> </ul> <p><i>(Post Audit Implementation Plan item 2.2)</i></p> |   |                    |   |
| 4.4      | Achievement of customer service levels.   | Compliance reports have been submitted for the past 3 years. Customer service levels were achieved with no complaints being received.   |   |                    |   |
| <b>5</b> | <b>ASSET OPERATIONS</b>   | Process Rating  | A | Performance Rating | 1 |
| 5.1      | Operational policies and procedures are documented and linked to service levels required.                                   | <p>The Asset Management Plan includes an overview of the operations of the system. However, the manufacturer's operating instructions/manuals are kept and used by the plumber and maintenance staff.</p> <p>The manufacturer's work instructions/manuals provide guidance only and are reliant on the knowledge and skills of</p>  |   |                    |   |

| Item no. | Criteria<br>(refer criteria in Audit Guidelines)  | Observations and results<br>(including any potential improvements)  |
|----------|---|---|
|          |   | the plumber and maintenance staff to maintain sufficient levels of service. Maintenance staff can perform basic maintenance tasks. Licensed and Insured Contract Plumbers are available nearby in the Shires of Wyalkatchem, Dowerin and Mukinbudin and their details are on record in the Shire of Koorda office directory.  |
| 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. Accounting data is recorded in the Shire's Financial Management Information System.</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"> <li>▪ Asset Number;</li> <li>▪ Description;</li> <li>▪ Dimensions/ type;</li> <li>▪ Construction materials/ model;</li> <li>▪ Construction date; and</li> <li>▪ Replacement Value</li> </ul> <p>for access chambers, pipes, treatment plant, pump station and effluent re-use.</p> <p>The assets' location is documented on the maps.</p> <p>The condition assessment is documented in the Condition and Performance Assessment spreadsheet.</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 Koorda wastewater scheme is a simple system, which requires a basic level of asset management to maintain it in an effective condition. The system is also relatively young and the assets are in good condition. The assets seem appropriate for the current levels of demand.</p> <p>The AMP outlines the current human resources required to support the plan as follows:</p> <ul style="list-style-type: none"> <li>▪ Works Manager/CEO;</li> <li>▪ Licensed Plumber;</li> <li>▪ Works Supervisor;</li> </ul>  |



| Item no. | Criteria<br>(refer criteria in Audit Guidelines)   | Observations and results<br>(including any potential improvements)  |   |                    |   |
|----------|--|---|---|--------------------|---|
|          |  | <ul style="list-style-type: none"> <li>▪ Gardener;</li> <li>▪ Environmental Health Officer/Building Surveyor; and</li> <li>▪ Administration Officer.</li> </ul> <p>The Shire built the scheme and has experienced staff who have been with the Shire for many years.</p>  |   |                    |   |
| <b>6</b> | <b>ASSET MAINTENANCE</b>   | Process Rating  | A | Performance Rating | 1 |
| 6.1      | Maintenance policies and procedures are documented and linked to service levels required.            | <p>The Asset Management Plan includes a section on Routine and Planned Maintenance Plans. This is effectively an overview of the maintenance.</p> <p>The Koorda wastewater scheme is a simple system, which requires a basic level of asset management to maintain it in an effective condition. The system is also relatively young and the assets are in good condition. The assets seem appropriate for the current levels of demand.</p> <p>The maintenance tasks specified in the Maintenance Schedule relate to the levels of service required of the system.</p>   |   |                    |   |
| 6.2      | Regular inspections are undertaken of asset performance and condition.                               | <p>A condition monitoring system has been instigated for all assets, although as noted in item 3.1 it has not been performed since 2009. The general condition of assets has been assessed as good at the date of the visit. Maintenance is regularly performed on assets as per the maintenance schedule.</p> <p>Maintenance is carried out by qualified maintenance staff on a regular basis. A licenced plumber is available to maintain the sewer assets if needed. Health requirements for the sewer are instigated and maintained to ensure protection of health of the town population.</p> <p>The unforeseen maintenance tasking is instigated by a telephone call-out system to the Works Supervisor, who attends the site, assesses the requirements and arranges the immediate and follow-up actions and activities.</p> |   |                    |   |
| 6.3      | Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule. | <p>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.</p> <p>The Shire has well documented emergency procedures for potential scenarios, such as Imhoff tank failure or major storm.</p>  |   |                    |   |
| 6.4      | Failures are analysed and operational/maintenance plans adjusted where necessary.                    | <p>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.</p>  |   |                    |   |

| Item no. | Criteria<br>(refer criteria in Audit Guidelines)  | Observations and results<br>(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.   |   |                    |   |
| <b>7</b> | <b>ASSET MANAGEMENT INFORMATION SYSTEM</b>  | 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 were 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. The back up tape goes offsite for safekeeping.  |   |                    |   |
| 7.6      | Key computations related to licensee performance reporting are materially accurate.             | The standard data sheets are used for performance reporting. Audit tested the accuracy of computations in the performance reports on a sample basis and confirmed the computations tested were accurate.   |   |                    |   |
| 7.7      | Management reports appear adequate for the licensee to monitor licence obligations.             | <p>Apart from printing the Excel spreadsheets out, there is no ability to create management reports.</p> <p>However, the functionality of the suite of Excel spreadsheets provided as an example by the Authority to Shires to tailor for asset management planning purposes, is adequate for the Shire's needs.</p> |   |                    |   |
| <b>8</b> | <b>RISK MANAGEMENT</b>  | Process Rating   | A | Performance Rating | 1 |
| 8.1      | Risk management policies and procedures exist and are being applied                             | The Risk Assessment has been sighted.  |   |                    |   |

| Item no.  | Criteria<br>(refer criteria in Audit Guidelines)  | Observations and results<br>(including any potential improvements)   |   |                    |   |
|-----------|---|--|---|--------------------|---|
|           | to minimise internal and external risks associated with the asset management system.                            |  |   |                    |   |
| 8.2       | Risks are documented in a risk register and treatment plans are actioned and monitored.                         | <p>The Risk Assessment has been sighted. There is a detailed risk register that covers failure of asset components and potential events that may lead to non-compliance with the licence obligations.</p> <p>A Contingency Plan and staff are available to deal rapidly with identified risks.</p> <p>Control measures are in place to deal with identified risks.</p>   |   |                    |   |
| 8.3       | The probability and consequences of asset failure are regularly assessed.                                       | The Risk Assessment has been sighted. It includes the probability and consequences of asset failure.   |   |                    |   |
| <b>9</b>  | <b>CONTINGENCY PLANNING</b>   | Process Rating   | B | Performance Rating | 2 |
| 9.1       | Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks. | <p>A Contingency Plan is available and has been sighted.</p> <p>Detailed contingency plans for potential risk events have been developed in 2009/10. They have not yet been subject to any testing.</p> <p>Staff that are likely to be involved in invoking the contingency plans have a general awareness of the plans. However, there is no evidence of the Shire's contingency procedures being tested to ensure that staff are fully aware of their responsibilities.</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>• Test/review the emergency procedures and contingency plan at least annually or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency. The test could be a desktop review of the plan by the participants.</li> <li>• Written records of the tests/review should be kept with the appendices of the AMP.</li> </ul> <p><i>(Post Audit Implementation Plan item 2.3)</i></p> |   |                    |   |
| <b>10</b> | <b>FINANCIAL PLANNING</b>   | Process Rating   | A | Performance Rating | 1 |

| Item no.  | Criteria<br>(refer criteria in Audit Guidelines)   | Observations and results<br>(including any potential improvements)  |                        |
|-----------|--|---|------------------------|
| 10.1      | The financial plan states the financial objectives and strategies and actions to achieve the objectives.                                 | 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 each activity. Sighted the Shire of Koorda 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 Koorda Sewerage Scheme.<br><br>The Shire has a specified area rating which is applied to all properties connected or capable of being connected to the sewerage scheme in the Koorda town site. The purpose of this rate is to offset the cost of the sewerage treatment, including operation, maintenance, administration, depreciation and loan repayments. |                        |
| 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.<br><br>Sighted the Shire of Koorda 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. | The Shire of Koorda Capital Investment and Maintenance Budgets have forward projects budgeted up until 2058.<br><br>The annual 2011/12 budget provides for sewerage collection, depreciation and administration.  |                        |
| 10.5      | The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.     | Annual budget for 2011/12 sighted. It provides for sewerage collection, depreciation and administration.<br><br>The sewerage reserve had a balance of \$437,625 at 30 June 2011 with approximately \$60,000 per annum transferred into the reserve. This covers the estimated annuity of \$20,638 in the Asset Management Plan for capital expenditure over the life of the scheme.   |                        |
| 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. Significant variances are reviewed by the CEO and the Shire Council and corrective action determined.  |                        |
| <b>11</b> | <b>CAPITAL EXPENDITURE PLANNING</b>  | 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  | The analysis assumes that assets will be replaced at the end of their standard economic life.   |                        |

| Item no.  | Criteria<br>(refer criteria in Audit Guidelines)  | Observations and results<br>(including any potential improvements)  |   |                    |   |
|-----------|---|---|---|--------------------|---|
|           | expenditure and timing of expenditure.  |   |   |                    |   |
| 11.3      | The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.                     | 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. A condition monitoring system needs to be instigated as noted in section 3.1.  |   |                    |   |
| 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.  |   |                    |   |
| <b>12</b> | <b>REVIEW OF ASSET MANAGEMENT SYSTEM</b>  | Process Rating  | A | Performance Rating | 1 |
| 12.1      | A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current. | <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 July 2009. 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><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Note the required timeframes for the notification of the asset management system changes to the Authority in the Compliance Schedule.</li> </ul> <p><i>(Post Audit Implementation Plan item 1.1)</i></p> |   |                    |   |
| 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 monitored in practice.

The review confirmed that out of 5 recommendations in the previous review report dated April 2009, 4 have been completed and 1 has been partially completed.

The partially completed issue concerned:

- Detailed contingency plans have been developed but they have not been tested as yet to confirm their operation.

Two new issues were noted as follows:

- All assets were last inspected in 2007. There is no evidence of the annual inspections by February each year being performed and the Excel spreadsheet being updated; and
- The Asset Management Plan needs to be updated for any changes in the 2009 operating licence from the Authority.

The review recommended that the Shire:

- Implement a program of formal inspection and reporting on the condition of all assets and update the Asset Condition and Performance spreadsheet each year;
- Update the Asset Management Plan for the issue of the 2009 operating licence and any changes to requirements; and
- Test/review the contingency plans on an annual basis and retain a record.

The key components of the infrastructure including the Imhoff treatment tank, primary treatment pond, overflow pond and pump stations were inspected and appeared to be in reasonable condition. No performance assessment was undertaken.

Overall, the asset management system is 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<br>(High<br>Medium<br>Low) | Recommendation   | Management Response  | Person Responsible & Completion Date |
|------------------|--|-------------------------------------|--|--|--------------------------------------|
| <b>1</b>         | <b>Operational Audit</b>   |                                     |  |  |                                      |
| 1.1<br>(Item 7)  | <p><b>Compliance with Performance Standards</b></p> <p>The audit reviewed the Shire's Performance Reports for the years ended 30 June 2009, 2010 and 2011 and noted that the Shire complied with all performance standards except for the requirement to have fewer than 40 blockages per 100km of sewer main per year as follows:</p> <ul style="list-style-type: none"> <li>In the year ended 30 June 2009, the Shire reported 2 sewer blockages, which represents a figure of 46 blockages per 100km of sewer main; and</li> <li>In the year ended 30 June 2011, the Shire reported 4 sewer blockages, which represents a figure of 92 blockages per 100km of sewer main.</li> </ul> <p>The audit sighted copies of completed Sewerage System Defect Reports. The blockages are mainly caused by the tree roots, which is then cleared with the jetsnake.</p> | Medium                              | Monitor the level of blockages in order to achieve compliance with the standard of fewer than 40 blockages per 100km of sewer main, and take corrective action as necessary, such as regular jetsnake clearance. | Will continue to monitor and take further action as necessary. | EHO<br>Ongoing.                      |
| 1.2<br>(item 44) | <p><b>Notify Changes to Asset Management System</b></p> <p>The licensee must notify the Authority of any changes to its asset management system within 10</p>  | Low                                 | a) Update the Monitoring and Review Procedures section of the Asset Management Plan for the requirement to notify the Authority  | AMP will be updated.   | EHO<br>31 March 2012                 |

| No.                      | Issue  | Priority<br>(High<br>Medium<br>Low) | Recommendation   | Management Response   | Person<br>Responsible &<br>Completion<br>Date |
|--------------------------|--|-------------------------------------|--|---|---|
|                          | <p>business days from the date of change.</p> <p>The audit confirmed with the Shire's EHO that 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 a 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>Also, the Monitoring and Review Procedures section of the Asset Management Plan has not yet been updated for the requirement to notify the Authority of any changes to the asset management system within the required timeframe.</p> |                                     | <p>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 to ensure regulatory timeframes are met for changes to the asset management system.</p> | <p>Compliance Schedule with be updated.</p>   | <p>EHO<br/>31 March 2012</p>                  |
| <p>1.3<br/>(item 48)</p> | <p><b>Performance and Compliance Reporting</b></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"> <li>• Annual performance reports no later than 31 July for the reporting year ending 30 June; and</li> <li>• Annual compliance reports by 31 August for the year ending 30 June.</li> </ul> <p>The audit reviewed the Shires Compliance and Performance Reports for the year ending 30 June 2009, 2010 and 2011 and relevant correspondence between the Shire and the Authority and noted the</p>  | <p>Low</p>                          | <p>a) The Shire should ensure that all future Performance Reports are submitted to the Authority within the timeframes required.</p> <p>c) The Shire should ensure that it keeps track of all non-compliances with the licence obligations and that all the future Compliance Reports are complete.</p>          | <p>Compliance Schedule will prompt reporting.</p> <p>Note will be kept on the ERA file.</p> | <p>Completed</p> <p>Completed.</p>            |



| No.      | Issue   | Priority<br>(High<br>Medium<br>Low) | Recommendation   | Management Response   | Person<br>Responsible &<br>Completion<br>Date |
|----------|---|-------------------------------------|--|---|---|
|          | <p>following exceptions:</p> <ul style="list-style-type: none"> <li>• Performance Report for the year ended 30 June 2009 was submitted after the due date (in August 2009). The Authority acknowledged this non-compliance but this was omitted from the Compliance Report for 2010;</li> <li>• Performance Report for the year ended 30 June 2011 was submitted after the due date (in August 2011). The Authority acknowledged this non-compliance and it needs to be recorded in the Compliance Report for the year ending 30 June 2012.</li> </ul> <p>The Shire has developed and implemented the Compliance Schedule with the annual performance and compliance reporting due date set for no later than 30<sup>th</sup> July. The Compliance Schedule also includes references on how and where to source the required information.</p> |                                     |  |   |   |
| <b>2</b> | <b>Asset Management System Review</b>   |                                     |  |   |   |
| 2.1      | <p><b>Asset Disposal</b></p> <p>Under-utilised and under-performing assets are identified as part of a regular systematic review process.</p> <p>An Asset Condition and Performance Spreadsheet was sighted.</p> <p>It is noted from the spreadsheet that all assets were</p>   | Medium                              | Implement a program for the inspection of all assets and update the Asset Condition and Performance spreadsheet in February each year. | Annual inspections to be completed and the spreadsheet updated. | EHO<br>28 Feb. 2013 and annually              |

| No. | Issue   | Priority<br>(High<br>Medium<br>Low) | Recommendation   | Management Response  | Person<br>Responsible &<br>Completion<br>Date                  |
|-----|---|-------------------------------------|--|--|--|
|     | <p>last inspected in February/March 2007. The Asset Management Plan states that the condition of assets will be inspected by February each year.</p> <p>The spreadsheet has not been updated with the results of any inspections performed since 2007.</p>  |                                     |  |  |  |
| 2.2 | <p><b>Environmental Analysis</b></p> <p>The Asset Management Plan Section 2.3.5 Regulatory Requirements has not yet been updated for details of the 2009 operating licence from the Authority.</p>  | Low                                 | Update the Asset Management Plan to reflect the issue of the new licence to the Shire of Koorda on 15th May 2009 and any changes in the licence.   | AMP to be updated.   | EHO<br>31 March 2012   |
| 2.3 | <p><b>Contingency Planning</b></p> <p>A Contingency Plan is available and has been sighted. Detailed contingency plans for potential risk events have been developed in 2009/10. They have not yet been subject to any testing.</p> <p>Staff that are likely to be involved in invoking the contingency plans have a general awareness of the plans. However, there is no evidence of the Shire's contingency procedures being tested to ensure that staff are fully aware of their responsibilities.</p> | Medium                              | <p>a) Test/review the emergency procedures and contingency plan at least annually or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency. The test could be a desktop review of the plan by the participants.</p> <p>b) Written records of the tests/review should be kept</p> | <p>Desktop review of contingency plans by management team will be completed annually.</p> <p>To be noted in Compliance Schedule.</p> <p>Note will be kept.</p> | <p>EHO<br/>Feb. 2013 and ongoing.</p> <p>EHO<br/>Feb. 2013</p> |

| No. | Issue | Priority<br>(High<br>Medium<br>Low) | Recommendation                  | Management Response | Person Responsible & Completion Date |
|-----|-------|-------------------------------------|---------------------------------|---------------------|--------------------------------------|
|     |       |                                     | with the appendices of the AMP. |                     | onwards                              |

END OF REPORT