



Quantum
Assurance

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

Operational Audit and Asset Management System Review

Final Report

June 2012

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Executive Summary

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

The Ongerup sewerage system was originally constructed in 1967 and consists of 2.3 km of sewerage reticulation, a gravity reticulation system and primary and secondary treatment ponds serving approximately 75 properties and 270 people. The volume of wastewater treated is approximately 8,700m³ per annum.

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

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

OPERATIONAL AUDIT

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

- Performance and compliance reports are not always submitted to the Authority by the due dates.

The audit reviewed the action taken on previous audit recommendations in the audit report issued in August 2009 and confirmed that all 3 recommendations had been completed. This demonstrates that there has been an improvement in compliance with the licence conditions.

The following issues were identified in this audit:

- The performance and compliance reports for the years 2008/09, 2009/10 and 2010/11 were submitted after the due dates (within the following month); and
- There is no Compliance Schedule as a reminder for due dates and obligations for review, notifications and reporting under the licence obligations.

The audit recommended that the Shire:

- Implement a Compliance Schedule with the dates, responsibilities and actions for the various reviews and reporting required by the licence;
- Ensure that Performance and Compliance 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 10 business days.

The audit confirmed the Shire of Gnowangerup has complied with all of its information reporting obligations for the period 1st July 2008 to 30th June 2011 apart from the late reports submitted.

Overall, there is an adequate control environment to ensure that the licence obligations are met.

ASSET MANAGEMENT SYSTEM REVIEW

The review of the Asset Management System has shown that the processes appear adequate although informal in some areas. There is insufficient documentation in the Asset Management Plan to meet the requirements of an effective asset management system being the framework of policies, plans, procedures and asset management information system.

From physical inspection and discussion with Shire staff, the assets appear to be in good condition and the scheme operating satisfactorily with minimal operating and maintenance procedures.

The review confirmed that out of 36 recommendations in the previous review report dated August 2009, 21 have been implemented, 7 have been partly implemented and 8 are outstanding.

The outstanding recommendations mainly relate to the Asset Management Plan revised in October 2010 not being completed in respect of financial data, risk assessment and contingency planning; and no records of annual inspection of the assets.

The issues noted in this audit were:

- Financial data in the Asset Management Plan has not been completed;
- No record of the annual review of asset condition per the Asset Management Plan;
- Risk assessment not completed; and
- Contingency plans have not been developed.

The review recommended that the Shire:

- Revise the Asset Management Plan to cover various gaps and update the risk assessment, financial plan, capital expenditure plan, etc, with annual reviews in future.
- Implement a procedure for the regular review (at least annually) and recording of the condition of all assets; and
- Develop contingency plans for any significant risks of the scheme and review/test these on an annual basis.

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 Gnowangerup.

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

Audit Opinion

Report on the Operational Audit of the Water Services Operating Licence

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

Respective Responsibilities

The Shire of Gnowangerup 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 Gnowangerup has complied in all material respects, with the procedures and controls over the performance and quality standards and licence obligations of the Water Services Operating Licence for the period 1st December 2008 to 30th November 2011 as measured by the Authority's Water Compliance Reporting Manual, May 2011.

Limitations

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

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

Auditor's Qualified Opinion

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

- Performance and compliance reports are not always submitted to the Authority by the due dates; and
- There is insufficient documentation in the Asset Management Plan to meet the requirements of an effective asset management system being the framework of policies, plans, procedures and asset management information system.

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
DIRECTOR

PERTH, WA
4 JULY 2012

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

Operational Audit and
Asset Management
System Review
- Introduction

Final Report

June 2012

1. Background

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

The Ongerup sewerage system was originally constructed in 1967 and consists of 2.3 km of sewerage reticulation, a gravity reticulation system and primary and secondary treatment ponds serving approximately 250 people. The volume of wastewater treated is approximately 8,700m³ per annum.

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).

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

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

2. Methodology

2.1 Objectives and Scope

2.1.1 Operational Audit

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

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

The scope of the audit covered the following:

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

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

2.1.2 Asset Management System Review

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

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

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

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

2.2 Audit Period and Timing

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

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

2.3 Licensee's Representatives Participating in the Audit

- Lauder Coomber – Acting Chief Executive Officer (A/CEO)
- Vicky Webster – Acting Chief Executive Officer (A/CEO)
- Robbie Miniter Jnr – Works Supervisor (WS).

2.4 Key Documents Examined

- Shire of Gnowangerup Water Services Operating Licence (Operating Licence 11 Version OL2) dated 15 May 2009
- Audit Report - Shire of Gnowangerup Water Licence Operational Audit and Asset Management Review dated August 2009
- Post Audit Implementation Plan - Shire of Gnowangerup Water Licence Operational Audit and Asset Management Review dated November 2010
- Shire of Gnowangerup Customer Service Charter for Wastewater Services (July 2009)
- Shire of Gnowangerup Annual Report for the year ending 30 June 2011
- Complaints Register
- Asset Management Plan - Gnowangerup Town Sewerage Scheme (October 2010)
- 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
- Council Minutes 28 September 2011 – Approval of Wastewater Charter
- Gnowangerup Operating Area (Sewerage and Non-potable water supply services) Plan No. OWR-OA-090
- Shire of Gnowangerup Five Year Financial Plan 2010-2015
- Shire of Gnowangerup Wastewater Assets Management System – Asset Register spreadsheets.
- Shire of Gnowangerup – Annual Budget 2011/12
- Plan for the Future 2009-2013.

2.5 Operational Audit - Compliance Ratings

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

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

2.6 Asset Management System Review - Effectiveness Ratings

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

Asset management process and policy definition - Adequacy ratings

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

Asset management process - Performance ratings

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

2.7 Audit Team and Hours

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

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

Operational Audit –
Detailed Report

Final Report

June 2012

3. Operational Audit

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

3.1 Summary of Compliance Ratings

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

No. ¹	Operating Licence Compliance Element	Operating Licence reference (Cl.=clause, Sch.=schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (Low, Medium, High)	Adequacy of existing controls (S=strong, M=moderate, W=weak)	Compliance Rating (1=significantly non-compliant, 2=non-compliant, 3=compliant, 4=compliant, 5=compliant, N/A = not applicable, N/R = not rated)							
							1	2	3	4	5	N/A	N/R	
WATER SERVICES LICENSING ACT 1995														
1	General duty to provide services	n/a	1	C	Low	Strong						✓		
2	Regulations prescribing standard of service	Cl. 19	3	B	High	Strong						✓		
3	Asset Management System	Cl. 17.1	2	C	Medium	Strong						✓		
4	Notify changes to Asset Management System	Cl. 17.2	1	C	Low	Strong						✓		
5	Review of Asset Management System	Cl. 17.3	1	C	Low	Moderate				✓				
6	Operational Audit	Cl. 16.1	1	C	Low	Moderate				✓				
7	Comply with Performance Standards (emergency response, complaints, continuity and overflows)	Cl. 20.1	3	B	High	Strong						✓		
WATER COORDINATION REGULATIONS 1996/														
8	Payment of fees	Cl. 4.1	1	C	Low	Strong								✓
OTHER LICENCE CONDITIONS														
9	Customer complaints process	Cl. 6.1	2	B	Medium	Moderate				✓				
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	Moderate								✓
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								✓
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	Sch.3 Cl. 2.5	2	B	Medium	Strong						✓		

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

No. ¹	Operating Licence Compliance Element	Operating Licence reference (Cl.=clause, Sch.=schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (Low, Medium, High)	Adequacy of existing controls (S=strong, M=moderate, W=weak)	Compliance Rating (1=significantly non-compliant , 2=non-compliant, 3 =compliant, 4 = compliant, 5=compliant, N/A = not applicable, N/R = not rated)								
							1	2	3	4	5	N/A	N/R		
	Charter														
21	Charter reviewed every 3 years	Sch.3 Cl. 2.6	2	C	Low	Moderate				✓					
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	Moderate				✓					
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 August 2009 is summarised below.

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
1.1 (item 3)	<p>Asset Management System</p> <p>The Licensee must have an Asset Management System in respect to the licensed activity.</p> <p>The licensee is to undertake, maintain and operate its Water Services Works in accordance with the processes set out in the asset management system.</p>	<p>Basics are in place with a simple Asset Management Plan (AMP) and asset register system.</p> <p>AMP does not include policies and procedures for sewer system.</p> <p>Routine and planned maintenance tasks completed in accord with AMP; activities are not documented.</p>	2	<p>Develop and implement policies and procedures for sewer system and include in AMP.</p> <p>Shire needs to document operations, repairs and maintenance activities</p>	<p><i>CEO</i></p> <p><i>30 November 2010</i></p> <p><i>7th October 2009</i></p> <p><i>Operating Licence file has been created with Audit, Service Charter and other information including maintenance and works record sheet.</i></p>	<p>AMP has been updated in October 2010 with policies and procedures for the sewer system.</p> <p>Basic procedures for the scheme have been documented in the AMP – considered adequate for low risk scheme.</p>	<p>COMPLETED</p> <p>COMPLETED</p>
1.2 (item 20)	<p>Customer Service Charter</p> <p>The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence,</p>	<p>Customers not advised of the availability of the Customer Service Charter on an annual basis.</p>	2	<p>Shire to notify customers of the Charter, such as through newsletters, at least once a year.</p>	<p><i>7th October 2009</i></p> <p><i>Listed in Council's Bring up file for regular yearly advertising</i></p>	<p>Confirmed with Acting CEO.</p>	<p>COMPLETED</p>

3.3 Audit Results and Recommendations

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

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

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
	Section 36(1)(b)		System.			<p>progress in Post Audit Implementation Plan updates.</p> <p>Apart from the new AMP, there were no material changes made to the asset management system that would require notification to the Authority.</p>	
5	Water Services Licensing Act Section 36(1)(c)	Clause 17.3	The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an independent expert report, acceptable to the Authority, on the effectiveness of the Asset management System.	2	5	<p>The Asset Management System Review is now being undertaken.</p> <p>However, there is no process in place to ensure that the timeframes will be met in future.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ The Shire to develop and implement a Compliance Schedule with the Asset Management System Review dates included as part of the schedule of events to ensure regulatory timeframes are met. <p><i>(Post Audit Implementation Plan item 1.1)</i></p>	4
6	Water Services Licensing Act Section 37(1)	Clause 16.1	The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an operational audit conducted by an independent expert, acceptable to the Authority.	2	5	<p>The Operational Audit is now being undertaken.</p> <p>However, there is no process in place to ensure that the timeframes would be met.</p> <p>Refer recommendation in item 5.</p>	4
7	Water Services Licensing Act	Clause 20.1	The licensee must comply with the performance standards set	2	2	<p>The audit reviewed the Shire's Performance Reports for the years ended 30 June 2009, 2010 and 2011 and noted that during the audit period the Shire has complied with all</p>	5

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
	Section 38(2)		out in Schedule 4. <ul style="list-style-type: none"> • Emergency telephone response system such that customers need only make one call and they are advised of the nature and timing of action within one hour (Target is 90% of calls). • 90% of complaints resolved within 15 business days. • Fewer than 40 blockages per 100km of sewer main per year • 90% of connected properties experience no sewerage overflows per year 			performance standards.	
LICENCE COMPLIANCE REQUIREMENTS – WATER COORDINATION REGULATION 1996							
8	Water Services Coordination Regulations Section 2	Clause 4.1	The licensee must pay the applicable fees in accordance with the regulations.	N/R	5	The licence expires on 29 April 2021. The application for renewal of the licence is to be accompanied by the prescribed fee.	N/R

No ²	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
LICENCE COMPLIANCE REQUIREMENTS – LICENCE CONDITIONS							
9	N/A	Clause 6.1	The licensee must establish a customer complaints process as set out in Schedule 3.	NR	4	The Customer Service Charter outlines the process in regards to enquiries, suggestions, complaints and disputes.	5
10	N/A	Schedule 3 Clause 3.1	The licensee must resolve customer complaints within 15 business days of the receipt of complaint.	NR	N/A	Shire of Gnowangerup 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 A/CEO and by review of the Complaints Register that there were no sewerage related customer complaints received by the Shire over the audit period.	N/R
12	N/A	Schedule 3 Clause 3.2(b)	The licensee must provide appropriately trained staff to respond to complaints.	NR	N/A	Shire of Gnowangerup 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	NR	5	The Shire's A/CEO is authorised to make necessary decisions to settle the customer complaints or disputes.	5

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

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
		Clause 3.7	the Department of Water.			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 Gnowangerup Customer Service Charter was approved by the Authority on 10 March 2010.	5
20	N/A	Schedule 3 Clause 2.5	The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence.	2	4	<p>The audit confirmed through sighting that the Customer Service Charter is prominently displayed at the Shire's reception, and through discussion with the Shire's A/CEO that the Charter is provided upon request and at no charge to customers.</p> <p>In addition, the audit confirmed that the Charter is available to customers on the website.</p> <p>The Shire's A/CEO advised that the Shire advertise the notice advising availability of the Customer Service Charter in the local newspaper annually.</p>	5
21	N/A	Schedule 3 Clause 2.6	The licensee must review its Customer Service Charter at least once in every three year period.	2	5	<p>The revised Shire of Gnowangerup's Customer Service Charter was approved by the Authority on 10 March 2010. The Authority acknowledged that the Charter had been submitted within the required timeframe.</p> <p>The Authority has provided a 12 month extension to the deadline for the next review to 12 February 2013.</p> <p>However, there is no process in place to ensure that the timeframes in future would be met.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ Implement a Compliance Schedule with the Customer Service Charter review dates included as part of the 	4

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
						<p>schedule of events to ensure regulatory timeframes are met.</p> <p><i>(Post Audit Implementation Plan item 1.2)</i></p>	
22	N/A	Schedule 3 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 A/CEO that an adequate customer consultation process has been established.	5
24	N/A	Schedule 3 Clause 4.1	The licensee may either establish a Customer Council or institute at least 2 of the following: establish a regular meeting; publish a newsletter or run other public forums, concerning the licensed activities.	NR	4	<p>The audit confirmed with the Shire's A/CEO that the Shire hold regular electors meetings 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 Gnowangerup Council meetings.</p>	5
25	N/A	Schedule 3 Clause 4.2	The licensee must consult the Authority on the type and extent of consultation to be adopted by the licensee.	NR	4	The Shire's Customer Service Charter states that community involvement in the Shire's service planning and decision making processes will be sought through forums such as mailouts, Shire website, information on the Community notice board and local advertising	5

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
						The Shire will notify customers of any system change that may result in significant variation in its service levels. The Shire will publish information on matters relating to its wastewater services and on complaints handling.	
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 A/CEO 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
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 A/CEO that during the audit period, the Shire has made no significant changes to the operation of the water service.	N/R
29	N/A	Schedule 3 Clause 4.6	The licensee must allow customers to raise matters of	NR	4	The audit confirmed with the Shire's A/CEO that the Shire allows its customers to raise matters of concern regarding the	5

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

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
	Services Licensing Act Section 37		require the licensee's auditor to comply with the Authority's Standard Audit Guidelines, minimum requirements regarding appointment of the auditor, scope of audit, conduct of the audit and reporting of the audit.			Operational Audit and Asset Management System Review, dated 6 December 2011, stipulates compliance requirements on auditors.	
43	Water Services Licensing Act Section 36	Clause 17.1	The licensee must provide for and notify the Authority of its asset management system within 2 business days from the licence commencement date unless notified in writing by the Authority.	2	5	The licence commencement date was 21 May 1997. The Authority was notified of the Shire's asset management system back then.	5
44	Water Services Licensing Act Section 36	Clause 17.2	The licensee must notify the Authority of any changes to its asset management system within 10 business days from the date of change.	2	5	<p>The audit confirmed with the Shire's A/CEO that during the audit period, the Shire has introduced a new Asset Management Plan (AMP). The Authority was notified of progress in Post Audit Implementation Plan updates.</p> <p>Apart from the new AMP, there were no material changes made to the asset management system that would require notification to the Authority.</p> <p>However, there is no process in place to ensure that the Shire would notify the Authority of any changes to its asset management system within 10 business days from the date of change.</p>	4

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
						<p>Moreover, although the Legislative Requirements section of the Asset Management Plan (October 2010) refers to the requirement to notify any changes to the system to the Authority, the required timeframe is not specified.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Update the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within 10 business days. ▪ Implement a Compliance Schedule and note the required timeframe of 10 business days for notification of asset management system changes to the Authority. <p><i>(Post Audit Implementation Plan item 1.4)</i></p>	
45	Water Services Licensing Act Section 36	Clause 17.4	The licensee must comply and require the licensee's expert to comply with the Authority's Standard Guidelines dealing with the asset management system review including, minimum requirements, regarding appointment of the expert reviewer, scope of review, conduct of the review and reporting of the outcomes of the review.	NR	4	The Audit Plan - Operational Audit and Asset Management System Review dated 6 December 2011 stipulates compliance requirements on auditors.	5
46	N/A	Clause 18.1	The licensee must report to the Authority if it is under	2	5	No significant changes.	N/R

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			external administration within 2 business days or significant change in its financial or technical circumstances within 10 business days.				
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	4	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 2009 performance audit and asset management system review to the Authority. Some reporting to the Authority has been late. Refer item 48.	4
48	N/A	Clause 21.2	The licensee must comply with the information reporting requirements as set out in Schedule 5.	2	4	In accordance with the Water Compliance Reporting Manual May 2011, the Shire is required to submit to the Authority: <ul style="list-style-type: none"> Annual performance reports no later than 31 July for the reporting year ending 30 June; and Annual compliance reports by 31 August for the year ending 30 June. The audit reviewed the Shires Compliance and Performance Reports for the years ending 30 June 2009, 2010 and 2011 and relevant correspondence between the Shire and the Authority and noted the following exceptions: <ul style="list-style-type: none"> Performance Report for the year ended 30 June 2009 was submitted after the due date (in August 2009). The Authority acknowledged this non-compliance and it was included in the 2009/10 	2

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
						<p>report);</p> <ul style="list-style-type: none"> • Performance Report and Compliance Report for the year ended 30 June 2010 were submitted after the due date (in August 2010); • Performance Report and Compliance Report for the year ended 30 June 2011 were submitted after the due date (in August 2011). The Authority acknowledged these non-compliances and they need to be recorded in the Compliance Report for the year ending 30 June 2012. <p>There is no procedure in place to ensure the timely submission of reports. The submission of reports is purely reactionary to the reminders received from the Authority.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Implement a Compliance Schedule with timeframes for annual Performance and Compliance Reports submission as part of the schedule of events. The Compliance Schedule will also assist replacement staff to meet regulatory timeframes if the CEO is on leave. ▪ Ensure that all future Performance Reports are submitted to the Authority within the timeframes required. <p><i>(Post Audit Implementation Plan item 1.3)</i></p>	
49	N/A	Clause 22.2	The licensee must publish relevant information directed to	NR	5	The audit confirmed with the Shire's A/CEO that during the audit period, no such directions were received from the	N/R

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
		and 22.4	do so by the Authority within the specified timeframes.			Authority.	
-	N/A	Schedule 6 Clause 2.1	The licensee must set out in writing its conditions for connection and make it available to people enquiring or applying for connection.	NR	4	The audit confirmed that the Shire provide its services consistent with its Customer Service Charter. The charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to the Shire's customers.	5
-	N/A	Schedule 6 Clause 2.2	The licensee must ensure that its services are available for connection on any land in the Operating Area subject to compliance with the Shire's conditions.	NR	4	The audit confirmed with the Shire's A/CEO that the services are available for connection on any land in the Operating Area subject to compliance with the Shire's conditions. The audit confirmed that the Shire provide its services consistent with its Customer Service Charter. The charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to the Shire's customers.	5
-	N/A	Schedule 6 Clause 2.3	The licensee may with the written agreement of the property owner discontinue a service where it is not commercially viable.	NR	4	The audit confirmed with the Shire's A/CEO 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 Gnowangerup has complied with all of its Water Services Operating Licence performance and quality standards and licence obligations during the audit period 1st December 2008 to 30th November 2011 with one non-compliance as follows:

- Performance and compliance reports are not always submitted to the Authority by the due dates.

The audit reviewed the action taken on previous audit recommendations in the audit report issued in August 2009 and confirmed that all 3 recommendations had been completed. This demonstrates that there has been an improvement in compliance with the licence conditions.

The following issues were identified in this audit:

- The performance and compliance reports for the years 2008/09, 2009/10 and 2010/11 were submitted after the due dates (within the following month); and
- There is no Compliance Schedule as a reminder for due dates and obligations for review, notifications and reporting under the licence obligations.

The audit recommended that the Shire:

- Implement a Compliance Schedule with the dates, responsibilities and actions for the various reviews and reporting required by the licence;
- Ensure that Performance and Compliance 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 10 business days.

The audit confirmed the Shire of Gnowangerup has complied with all of its information reporting obligations for the period 1st July 2008 to 30th June 2011 apart from the late reports submitted.

Overall, there is an adequate control environment to ensure that the licence obligations are met.

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

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

Asset Management
System Review –
Detailed Report

Final Report

June 2012

4. Asset Management System Review

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

This included evaluating the key processes of:

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

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

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

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

4.1 Summary of Asset Management System Ratings

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

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

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

4.2 Previous Review Recommendations

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

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
2.1	Asset Planning Non-asset options (e.g. demand management) are considered.	Not addressed in the AMP, however, minimal opportunities for a small town and small system.	1	Identify non-asset options to manage demand and include in AMP.	CEO 30 November 2010	Adequately considered in Asset Management Plan revised in October 2010.	COMPLETED
2.2	Asset Planning Lifecycle costs of owning and operating assets are assessed	Lifecycle costing not in AMP.	1	Identify and document asset objectives and lifecycle costs for all assets and include in AMP.	CEO 30 November 2010	Asset objectives are included in the AMP. Lifecycle costs not included. <i>(Post Audit Implementation Plan 2.1)</i>	PARTLY COMPLETED
2.3	Asset Planning Likelihood and consequences of asset failure are predicted.	Likelihood and consequences of asset failure are informally evaluated, but not documented.	2	Assess the risk of asset failures and include in the AMP.	CEO 30 November 2010	Risk assessment methodology is included in AMP but has not been implemented in practice. <i>(Post Audit Implementation Plan 2.2)</i>	PARTLY COMPLETED
2.4	Asset Planning Plans are regularly	Plans have been reviewed approximately every 3 years; need to be updated	3	Create and document a review procedure in line with Authority guidelines	CEO 30 November 2010	Included in revised AMP.	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	reviewed and updated.	by the Shire to contain the required information.		for the AMP.			
2.5	Asset Creation/ Acquisition Evaluations include all lifecycle costs.	The AMP does not adequately address the process of asset lifecycle cost evaluation.	2	Identify and document asset objectives and lifecycle costs for all assets and include in AMP.	CEO 30 November 2010	The AMP states that any new assets (and none are planned) will be procured through the government supply system in accordance with the Shire's procurement policies and procedures. Considered adequate.	COMPLETED
2.6	Asset Disposal Under-utilised and under-performing assets are identified as part of a regular systematic review process.	Not programmed, but completed during planned maintenance activities. No systematic review process in place.	2	Create and implement a process for identifying capacity of assets and recording past performance. Include in AMP.	CEO 30 November 2010	Covered by annual inspections. Asset Register database set up.	COMPLETED
2.7	Asset Disposal The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	Not completed in a systematic way. Only reactive as problems occur.	2	Create and implement a review process for when under or poor performing assets are identified and include in AMP.	CEO 30 November 2010	Covered by annual inspections (but should be documented). Asset Register database set up. <i>(Post Audit Implementation Plan 2.3)</i>	PARTLY COMPLETED
2.8	Asset Disposal	Minimal opportunities and	3	Create asset disposal	CEO	The AMP states that	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	Disposal alternatives are evaluated.	limited options. Normally old pumps taken by supplier. Effective process in place.		options for all assets and include in AMP.	30 November 2010	assets will be dumped or recycled for scrap as appropriate. Considered adequate.	
2.9	Asset Disposal There is a replacement strategy for assets.	Not detailed in the AMP. Past practice has been to replace on an 'as and when required' basis. Effective for small scheme.	3	Create and implement replacement strategy for assets and include in AMP.	CEO 30 November 2010	The AMP states that assets at the end of their life will be replaced assets of a similar capacity.	COMPLETED
2.10	Environmental Analysis Opportunities and threats in the system environment are assessed.	Not addressed in AMP.	1	Identify and document performance requirements for all assets including availability of service and capacity include in AMP.	CEO 30 November 2010	Overall service levels and capacity are stated in the revised AMP.	COMPLETED
2.12	Asset Operations Operational policies and procedures are documented and linked to service levels required.	Only safety policies and procedures are documented. System operational policies and procedures to be documented and linked to required service levels.	2	Create, document and implement operational policies and procedures and link to service levels required. Include in AMP.	CEO 30 November 2010	The AMP includes an overview of the operations of the system. There are no special operational procedures that require more detailed documentation.	COMPLETED
2.13	Asset Operations Risk management is applied to prioritise	Emergency response procedure in place. However, minimal risk management completed.	2	Create and implement a regular review procedure for the operational schedule to prioritise tasks based on risk management.	CEO 30 November 2010	Risk assessment to be completed and any impact on operational procedures assessed. <i>(Post Audit Implementation Plan)</i>	OUTSTANDING

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	operations tasks.					2.5)	
2.14	Asset Maintenance Maintenance policies and procedures are documented and linked to service levels required.	Maintenance policies and procedures have not been developed.	2	Create and document policies linked to maintenance procedures and service levels for assets.	CEO 30 November 2010	The AMP includes an overview of maintenance policies and plans linked to service levels. As this is a simple system, considered adequate.	COMPLETED
2.15	Asset Maintenance Regular inspections are undertaken of asset performance and condition.	Regular inspections, cleaning and maintenance are undertaken based on a schedule but records are not kept.	3	Expand the maintenance schedule to include procedures for recording maintenance tasks, performance and condition. Include in AMP.	CEO 30 November 2010	The only maintenance required is an annual inspection of the condition of the assets, and any action arising from this. Inspections need to be documented. <i>(Post Audit Implementation Plan 2.3)</i>	OUTSTANDING
2.16	Asset Maintenance Maintenance plans (emergency, corrective and preventative) are documented	Maintained schedule has been created but not implemented.	3	Implement the maintenance schedule.	CEO 30 November 2010	The only maintenance required is an annual inspection of the condition of the assets, and any action arising from this. Inspections need to be documented. <i>(Post Audit</i>	OUTSTANDING

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	and completed on schedule.					<i>Implementation Plan 2.3)</i>	
2.17	Asset Maintenance Failures are analysed and operation/maintenance plans adjusted where necessary.	Informally analysed. Ad hoc analysis is completed when corrective work is required.	3	Create, document and regularly review a maintenance plan for assets including emergency, corrective and preventative measures.	CEO 30 November 2010	The only maintenance required is an annual inspection of the condition of the assets, and any action arising from this. Inspections need to be documented. <i>(Post Audit Implementation Plan 2.3)</i>	OUTSTANDING
2.18	Asset Maintenance Risk management is applied to prioritise maintenance tasks.	Risk management is conducted informally. Shire does not have a risk register or documentation of maintenance task risk.	3	Complete the risk assessment of all maintenance tasks, develop a management plan for unacceptable risks and document in the AMP.	CEO 30 November 2010	Risk assessment has not been formally documented. <i>(Post Audit Implementation Plan 2.5)</i>	OUTSTANDING
2.19	Asset Management information System Adequate system documentation for users and system operators.	No AMIS in place.	0	Purchase/ develop Asset Management software and roll over all asset data to one system.	CEO 30 November 2010	There is a basic Asset Register. Considered adequate for the scheme.	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
2.20	Asset Management information System Input controls include appropriate verification and validation of data entered into the system.	No AMIS in place.	0	Create data verification procedure for updating asset data in Asset Management software.	CEO 30 November 2010	Data input is checked by the staff member entering data Considered adequate.	COMPLETED
2.21	Asset Management information System Logical security access controls appear adequate, such as passwords.	No AMIS in place.	0	Ensure Asset management Information System can only be accessed by authorised persons.	CEO 30 November 2010	Password controls in place for Shire systems.	COMPLETED
2.22	Asset Management information System Physical security access controls appear A/CEO 31 December 2010adequate.	No AMIS in place.	0	Ensure adequate physical security access controls such as swipe cards are implemented.	CEO 30 November 2010	Office security is in place.	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
2.23	Asset Management information System Data backup procedures appear adequate.	No AMIS in place.	0	Create and implement backup procedure for asset data.	CEO 30 November 2010	Backup procedure in place for Shire systems.	COMPLETED
2.24	Asset Management information System Key computations related to licensee performance reporting are materially accurate.	No AMIS in place.	0	Create and implement procedures for producing regular reports to monitor assets and link to licence obligations.	CEO 30 November 2010	There is a basic Asset Register. Minimal computations. Considered adequate for the scheme.	COMPLETED
2.25	Asset Management information System Management reports appear adequate for the licensee to monitor licence obligations.	Only annual Schedule 3 reporting.	0	Create and implement procedures for producing regular reports to monitor assets and link to licence obligations.	CEO 30 November 2010	Spreadsheets are kept for annual performance reporting to the Authority. Considered adequate for the scheme.	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
2.26	Risk Management Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	Risk management policies and procedures have not been documented for the sewerage system. Application of risk is informally considered by staff.	2	Create risk management policies and procedures to include in AMP. Ensure policy includes risk reviewing procedure.	CEO 30 November 2010	Risk management policy and procedure, and a review procedure are included in the revised AMP.	COMPLETED
2.27	Risk Management Risks are documented in a risk register and treatment plans are actioned and monitored.	Risk analysis has not been completed or documented.	1	Create and document risk register including the treatment and consequences of asset failure.	CEO 30 November 2010	Risk management policy and procedure in AMP has not been implemented. No risk register of assets or events. <i>(Post Audit Implementation Plan 2.5)</i>	OUTSTANDING
2.28	Risk Management The probability and consequences of asset failure are regularly	Informally, performed. A formal system of assessing asset failure risk has not been completed.	2	Create and document risk register including the treatment and consequences of asset failure. Include in AMP.	CEO 30 November 2010	Risk management policy and procedure in AMP has not been implemented. There is no risk register of asset failures or other threats.	OUTSTANDING

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	assessed.					<i>(Post Audit Implementation Plan 2.5)</i>	
2.29	Contingency Planning Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	Emergency procedures are in place. Contingency plans have not been prepared or tested.	2	Create and implement a review procedure for the Contingency Plan and include in AMP.	CEO 30 November 2010	Contingency plans are not documented. There has been no review/testing of the contingency plans. <i>(Post Audit Implementation Plan item 2.6)</i>	OUTSTANDING
2.30	Financial Planning The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	Briefly addressed at summary level in the AMP, but insufficient detail on income for the next five years.	1	Create and document 5 year financial plan including predicted costs for operations, maintenance and capital upgrade and expansion. Include in AMP.	CEO 7 October 2009	A 5 year financial plan has been created for Council and includes the operational and maintenance costs for the system and potential capital upgrade and expansion.	COMPLETED
2.30	Financial Planning The financial plan provides	Briefly addressed at summary level in the AMP, but insufficient detail to properly assess its	1	Create and document 5 year financial plan including predicted costs for operations,	CEO 30 November 2010	A 5 year financial plan has been created for Council and includes the operational and	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	for the operations, maintenance and, administration and capital expenditure requirements of the services.	adequacy.		maintenance and capital upgrade and expansion. Include in AMP.		maintenance costs for the system and potential capital upgrade and expansion.	
2.30	Financial Planning Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.	Briefly addressed at summary level in the AMP, but insufficient detail to properly assess its adequacy.	1	Create and implement a review procedure for the Financial Plan and include in AMP.	CEO 30 November 2010	Variances in actual/budget income and expenses are reviewed in monthly reports to management and the Council.	COMPLETED
2.31	Capital Expenditure Planning There is a capital expenditure plan that covers issues to be addressed, actions proposed,	Briefly addressed at summary level in the AMP, but lacking details on actions, responsibilities and dates.	1	Expand Capital Expenditure Plan to include actions, responsibilities and dates.	CEO 30 November 2010	The capital replacement strategy is included in the revised AMP but not the basic financial data. <i>(Post Audit Implementation Plan 2.1)</i>	PARTLY COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	responsibilities and dates.						
2.32	Capital Expenditure Planning The plan provides reasons for capital expenditure and timing of expenditure.	Briefly addressed at summary level in the AMP, but insufficient detail on why expenditure was required or timing.	1	Include reasons for capital expenditure and timing of expenditure in Capital Expenditure Plan.	CEO 30 November 2010	The capital replacement strategy is included in the revised AMP but not the basic financial data. <i>(Post Audit Implementation Plan 2.1)</i>	PARTLY COMPLETED
2.33	Capital Expenditure Planning The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.	Briefly addressed at summary level in the AMP, but insufficient detail to assess consistency with asset lives or condition.	1	Include asset life and condition in Capital Expenditure Plan.	CEO 30 November 2010	The capital replacement strategy is included in the revised AMP but not the basic financial data. <i>(Post Audit Implementation Plan 2.1)</i>	PARTLY COMPLETED
2.34	Capital Expenditure Planning There is an adequate process to	Last revision was June 2006 for the revised AMP. No system in place to ensure an annual review is completed.	1	Create and implement a review procedure for the Capital Expenditure Plan.	CEO 30 November 2010	The capital expenditure plan has been reviewed and is included in the revised AMP (albeit incomplete as noted in 2.33).	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	ensure that the capital expenditure plan is regularly updated and actioned.						
2.35	<p>Review of Asset Management System</p> <p>A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.</p>	Whilst the AMP was updated in June 2006, a systematic review of the plan has not been implemented. The AMP is lacking in a number of areas as detailed above.	2	Create asset management review procedure to ensure system is reviewed regularly.	CEO 30 November 2010	<p>A review procedure is included in the AMP including annual review of financial data and asset condition but there is no evidence that reviews have occurred since 2010.</p> <p><i>(Post Audit Implementation Plan 2.2)</i></p>	PARTLY COMPLETED
2.36	<p>Review of Asset Management System</p> <p>Independent reviews (e.g. internal audit) are performed of the asset</p>	The AMS is reviewed at approximately 3 yearly intervals as part of the Water Licence Audit.	0	Create and implement independent review policy for Asset Management Plan and System.	CEO 30 November 2010	Independent review every 3 years is included in the revised AMP.	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	management system.						

4.3 Review Results and Recommendations

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating ³	B	Performance Rating ⁴	3
1	ASSET PLANNING				
1.1	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	The Shire of Gnowangerup Asset Management Plan (AMP) dated October 2010 was sighted. The goal, objective and level of service are stated in the AMP as: <i>“to provide cost effective wastewater collection, treatment and disposal services for the town of Ongerup, which meets community expectations for health and environmental management”..</i>			
1.2	Service levels are defined.	The Levels of Service requirements for customers are detailed in the Customer Service Charter. Additionally, the levels of service and performance parameters have been defined in the AMP. Performance is measured in performance reports to the Authority.			
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.	<p>The AMP states the overall replacement cost of the scheme as \$682,984. However, there is no detailed financial data on the income and expenditure for the next 5 years, and the required transfer to reserves for the future replacement of the assets. There is no indication as to whether the current sewerage reserve of \$76,516 at 30 June 2011 is adequate to cover future replacement costs.</p> <p>There is no detailed costing showing the complete lifecycle costs (capital, operating and maintenance cost) to enable the income and expenditure to be budgeted, and the level of the sewerage reserve to be determined.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Update the Asset Management Plan to show a detailed lifecycle costing of the scheme, the transfer to reserves required to meet future replacement costs; and the annual income and operating and maintenance costs for the next 5 years.). <p><i>(Post Audit Implementation Plan item 2.1)</i></p>			

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

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

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
1.5	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 Ongerup Sewerage Scheme.			
1.6	Costs are justified and cost drivers identified.	The costs included in the AMP need to be reviewed and updated. Refer recommendation in section 1.4.			
1.7	Likelihood and consequences of asset failure are predicted.	There is no detailed risk assessment. Refer section 8.1.			
1.8	Plans are regularly reviewed and updated.	<p>The Asset Management Plan has not been reviewed or updated since it was issued in October 2010.</p> <p>Various parts of the Plan have not been completed, such as the risk assessment, financial plan and capital expenditure plan. Although the Ongerup scheme is a small and relatively simple scheme to operate, the licence requires at least a basic Asset Management Plan to be developed and maintained.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> • Revise the AMP and implement a procedure to review/update the Plan on an annual basis or if major changes occur, and full revision and re-issue every 5 years. • Complete the risk assessment in the AMP. • Complete the Financial Plan in the AMP. • Complete the Capital Expenditure Plan in the AMP. • Modify the "Document Status" table to include a brief description of changes to the document from the previous version. <p><i>(Post Audit Implementation Plan item 2.2)</i></p>			
2	ASSET CREATION/ ACQUISITION	Process Rating	A	Performance Rating	N/R
2.1	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	No new assets are planned for the scheme, only ongoing repairs and maintenance, and replacements of existing infrastructure as required.			
2.2	Evaluations include all life-cycle costs.	Lifecycle costs not included in the Asset Management Plan. Refer recommendation in section 1.4.			
2.3	Projects reflect sound engineering and	Projects are undertaken using the Shire's normal project planning and management processes.			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	business decisions.				
2.4	Commissioning tests are documented and completed.	No new assets acquired or planned.			
2.5	Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	Section 2.3 of the AMP outlines the legislative, environmental and safety requirements. These are monitored by the A/CEO and Works Supervisor.			
3	ASSET DISPOSAL	Process Rating	B	Performance Rating	3
3.1	Under-utilised and under-performing assets are identified as part of a regular systematic review process.	<p>This is a small system with only the essential assets to enable it to function. No disposals are anticipated.</p> <p>The AMP requires an annual inspection of assets to be undertaken in February each year and the condition recorded in the Asset Condition and Performance Spreadsheet. There is no available documentation of any inspections since the plan was developed in October 2010.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ Implement the procedure for annual review in February of the condition of all assets for the scheme and record this information in the Asset Register for the scheme. <p><i>(Post Audit Implementation Plan item 2.3)</i></p>			
3.2	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	Asset condition is not regularly reviewed. Refer recommendation in section 3.1.			
3.3	Disposal alternatives are evaluated.	This is a small system with only the essential assets to enable it to function. No disposals are anticipated.			
3.4	There is a replacement strategy for assets.	The Capital Investment Plan in the AMP needs to be completed. Refer section 1.8.			
4	ENVIRONMENTAL ANALYSIS	Process Rating	B	Performance Rating	3
4.1	Opportunities and threats in the system environment are assessed.	Opportunities and threats for the system are not documented in the AMP.			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)				
		<p>Recommendation:</p> <ul style="list-style-type: none"> Update the AMP to include a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis for the assets and operation of the scheme, including meeting the service and performance standards per the operating licence from the Authority. <p><i>(Post Audit Implementation Plan item 2.4)</i></p>				
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. Performance standards are being met.				
4.3	Compliance with statutory and regulatory requirements.	<p>The Asset Management Plan identifies the following regulatory requirements:</p> <ul style="list-style-type: none"> Water Services Licensing Act 1995; Local Government Act 1995; Environmental Protection Act 1986; Occupational Safety and Health Act 1984; and Occupational Safety and Health Regulations 1996. <p>The AMP also requires compliance with the Operating Licence for Sewerage Services under the Water Services Licencing Act 1995, revised in May 2009.</p> <p>. Compliance is monitored by the A/CEO and Works Supervisor.</p>				
4.4	Achievement of customer service levels.	<p>The levels of service and performance parameters are defined in the AMP. They include availability, capacity, continuity, odour control, and emergency response.</p> <p>Performance standards are being met. There were no customer complaints noted during the audit period.</p>				
5	ASSET OPERATIONS	Process Rating	<table border="1"> <tr> <td data-bbox="1079 1126 1395 1166">A</td> <td data-bbox="1395 1126 1711 1166">Performance Rating</td> <td data-bbox="1711 1126 2051 1166">2</td> </tr> </table>	A	Performance Rating	2
A	Performance Rating	2				
5.1	Operational policies and procedures are documented and linked to service levels required.	The Asset Management Plan includes an overview of the operations of the system. As this is a simple gravity fed effluent disposal system, there are no special practices that require documentation.				
5.2	Risk management is applied to prioritise operations tasks.	As this is a simple gravity fed effluent disposal system, there are no special practices that require risk assessment or documentation.				

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
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 current Asset Register includes details on:</p> <ul style="list-style-type: none"> ▪ Asset Number; ▪ Description; ▪ Dimensions/ type; ▪ Construction materials/ model; ▪ Construction date; and ▪ Replacement Value <p>for access chambers and pipes. It does not include the condition assessment. Refer recommendation in Section 3.1.</p> <p>The assets' location is documented on maps.</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 capital, operating and maintenance costs of the assets are in the FMIS.			
5.5	Staff receive training commensurate with their responsibilities.	<p>The wastewater scheme is a simple system, which requires a basic level of asset management to maintain it in an effective condition.</p> <p>The AMP outlines the current human resources required to support the plan as follows:</p> <ul style="list-style-type: none"> ▪ CEO ▪ Works Manager/Supervisor ▪ Depot Administrative Officer. <p>Shire staff undertake health and safety training. There are no other specific training requirements for the scheme.</p>			
6	ASSET MAINTENANCE	Process Rating	B	Performance Rating	2
6.1	Maintenance policies and procedures are documented and linked to service levels required.	<p>The wastewater scheme is a simple system, which requires a basic level of asset management to maintain it in an effective condition. The assets are in good condition.</p> <p>The Asset Management Plan includes a section on Routine and Planned Maintenance Plans. This is effectively an overview of the maintenance.</p> <p>There are no detailed maintenance plans and procedures as the Shire considers these are not necessary. Maintenance is performed on assets as required.</p>			
6.2	Regular inspections are undertaken of	This is a small system with only the essential assets to enable it to function. No disposals are anticipated.			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	asset performance and condition.	As noted in section 3.1, the annual inspection of the condition of assets should be documented.			
6.3	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	<p>The Asset Management Plan includes a section on Routine and Planned Maintenance Plans. This is effectively an overview of the maintenance. There are no detailed maintenance plans and procedures as the Shire considers these are not necessary. Maintenance is performed on assets as required.</p> <p>Repairs are instigated by a telephone call-out system to the Shire Work's Manager, who attends the site, assesses the requirements and arranges the immediate and follow-up actions and activities.</p>			
6.4	Failures are analysed and operational/maintenance plans adjusted where necessary.	Any asset failures would be considered in the Shire's annual budget preparation.			
6.5	Risk management is applied to prioritise maintenance tasks.	A formal risk assessment to prioritise maintenance tasks is not considered necessary due to the simple nature of the scheme.			
6.6	Maintenance costs are measured and monitored.	Maintenance costs are tracked through the FMIS and actual/budget reporting each month.			
7	ASSET MANAGEMENT INFORMATION SYSTEM	Process Rating	B	Performance Rating	2
7.1	Adequate system documentation for users and IT operators.	There is no AMIS apart from the Asset Register. This is considered adequate for the simple nature of the scheme.			
7.2	Input controls include appropriate verification and validation of data entered into the system.	Data entry to the Asset Register is checked by the staff member inputting data.			
7.3	Logical security access controls appear adequate, such as passwords.	The Asset Register and other data relating to the system is saved on the Shire's server. There is a password access to the Shire's system and the A/CEO'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 daily basis. The back up copy goes offsite for safekeeping.			
7.6	Key computations related to licensee performance reporting are materially	There are simple computations in the Asset Register. Audit review confirms the calculations are materially accurate.			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	accurate.				
7.7	Management reports appear adequate for the licensee to monitor licence obligations.	There is no ability to create management reports. Reporting to the Authority on performance is based on the Excel spreadsheets supplied by the Authority and manual records kept.			
8	RISK MANAGEMENT	Process Rating	A	Performance Rating	3
8.1	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	<p>The Risk Management Methodology is outlined in the AMP. The Risk Assessment spreadsheet does not appear to have been completed.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ Complete a risk assessment following the risk management methodology in the AMP and document the risks, risk assessments and any treatment plans in the Risk Assessment spreadsheet (for asset failure and potential events relating to non-compliance with the operating licence). <p><i>(Post Audit Implementation Plan item 2.5)</i></p>			
8.2	Risks are documented in a risk register and treatment plans are actioned and monitored.	The Risk Assessment has not been completed, including any treatment plans. Refer section 8.1.			
8.3	The probability and consequences of asset failure are regularly assessed.	The Risk Assessment has not been completed, including any treatment plans. Refer section 8.1.			
9	CONTINGENCY PLANNING	Process Rating	B	Performance Rating	3
9.1	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	<p>Key staff have an understanding of unwritten procedures, such as the calling of a plumber in the case of a pipe blockage. The contingency planning section of the AMP has not been completed.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Following the risk assessment, a set of contingency plans and emergency procedures should be developed by the Shire to cover situations identified in the risk assessment as being a major or significant risk. ▪ The contingency plans should include: <ul style="list-style-type: none"> ○ Detailed procedures; ○ Key local contact details – name, number and location; ○ Communication protocols; 			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<ul style="list-style-type: none"> ○ Specifications, location and availability of emergency equipment; and ○ Authorities that need to be contacted and when. <ul style="list-style-type: none"> ▪ The contingency plans should be reviewed/tested on an annual basis such as a meeting of participants to confirm the plans are still current. <p><i>(Post Audit Implementation Plan item 2.6)</i></p>			
10	FINANCIAL PLANNING	Process Rating	B	Performance Rating	3
10.1	The financial plan states the financial objectives and strategies and actions to achieve the objectives.	<p>The AMP states the overall replacement cost of the scheme as \$682,984. However, there is no detailed financial data on the income and expenditure for the next 5 years, and the required transfer to reserves for the future replacement of the assets. There is no indication as to whether the current sewerage reserve of \$76,516 at 30 June 2011 is adequate to cover future replacement costs. \$2,800 is transferred to the reserve each year.</p> <p>There is no detailed costing showing the complete lifecycle costs (capital, operating and maintenance cost) to enable the income and expenditure to be budgeted, and the level of the sewerage reserve to be determined.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> • Update the Asset Management Plan to show a detailed lifecycle costing of the scheme, the transfer to reserves required to meet future replacement costs; and the annual income and operating and maintenance costs for the next 5 years.). <p><i>(Post Audit Implementation Plan item 2.7)</i></p>			
10.2	The financial plan identifies the source of funds for capital expenditure and recurrent costs.	<p>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 Gnowangerup Sewerage Scheme. As noted in section 10.1, there is no analysis as to whether the reserve is adequate to cover future replacement costs.</p>			
10.3	The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	<p>The Annual Budget document is completed for each coming financial year for the Shire which includes the Sewerage System. Actual/budget income and expenditure is monitored. Sighted the Shire of Gnowangerup Annual Budget 2011/12.</p> <p>As noted in section 10.1, there is no detailed costing showing the complete lifecycle costs (capital, operating and maintenance cost) to enable the income and expenditure to be budgeted, and the level of the sewerage reserve to be determined.</p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	As noted in section 10.1, there is insufficient financial detail in the AMP.			
10.5	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	As noted in section 10.1, there is insufficient financial detail in the AMP.			
10.6	Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.	Variations in actual and budget income and expenses are identified in monthly reports.			
11	CAPITAL EXPENDITURE PLANNING	Process Rating	B	Performance Rating	3
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	The capital replacement strategy is included in the AMP but not the underlying capital expenditure data. Refer section 11.2.			
11.2	The plan provides reasons for capital expenditure and timing of expenditure.	<p>The capital replacement strategy is included in the AMP but not the underlying capital expenditure data.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Update the Asset Management Plan to show a detailed lifecycle costing of the scheme, the transfer to reserves required to meet future replacement costs; and the annual income and operating and maintenance costs for the next 5 years.). <p><i>(Post Audit Implementation Plan item 2.8)</i></p>			
11.3	The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.	The capital replacement strategy is included in the AMP but not the underlying capital expenditure data.			
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	The capital replacement strategy is included in the AMP but not the underlying capital expenditure data. Any review would be covered under the general review procedure for the Plan.			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating	B	Performance Rating	2
12	REVIEW OF ASSET MANAGEMENT SYSTEM				
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 introduced a new Asset Management Plan (AMP). The Authority was notified of progress in Post Audit Implementation Plan updates.</p> <p>The audit confirmed with the Shire's A/CEO 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 does not have a Compliance Schedule that includes the required timeframes for notification of any asset management system changes to the Authority.</p> <p>Also, the Monitoring and Review Procedures section of the AMP has not been updated for the requirement to notify the Authority of any changes to the asset management system within the required timeframe.</p> <p>Also, users of the AMP would benefit from a brief description of changes to the document from the previous version.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> • Update the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within 10 business days. • Implement a Compliance Schedule and note the required timeframe of 10 business days for notification of asset management system changes to the Authority. . (Post Audit Implementation Plan item 1.3) • Modify the "Document Status" table to include a brief description of changes to the document from the previous version. (Post Audit Implementation Plan item 2.2) 			
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 appear adequate although informal in some areas. There is insufficient documentation in the Asset Management Plan to meet the requirements of an effective asset management system being the framework of policies, plans, procedures and asset management information system.

The review confirmed that out of 36 recommendations in the previous review report dated August 2009, 21 have been implemented, 7 have been partly implemented and 8 are outstanding.

The outstanding recommendations mainly relate to the Asset Management Plan revised in October 2010 not being completed in respect of financial data, risk assessment and contingency planning; and no records of annual inspection of the assets.

The issues noted in this audit were:

- Financial data in the Asset Management Plan has not been completed;
- No record of the annual review of asset condition per the Asset Management Plan;
- Risk assessment not completed; and
- Contingency plans have not been developed.

The review recommended that the Shire:

- Revise the Asset Management Plan to cover various gaps and update the risk assessment, financial plan, capital expenditure plan, etc, with annual reviews in future.
- Implement a procedure for the regular review (at least annually) and recording of the condition of all assets; and
- Develop contingency plans for any significant risks of the scheme and review/test these on an annual basis.

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

Appendix A: Post Audit Implementation Plan

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
1	Operational Audit				
1.1 (items 5 & 6)	<p>Operational Audit and Asset Management System Review</p> <p>The Operational Audit and Asset Management System Review is now being undertaken.</p> <p>However, there is no Compliance Schedule to ensure that reviews are undertaken by the prescribed time.</p>	Low	Implement a Compliance Schedule (reminder system) that sets out the responsibilities and due dates of all regulatory reviews and reporting to the Authority.	As recommended will set out a Compliance Schedule that sets out responsibilities and due dates.	Vicki Webster, Executive Manager Corporate Services (EMCS) September 2012
1.2 (item 21)	<p>Review of Customer Service Charter</p> <p>The revised Shire of Gnowangerup's Customer Service Charter was approved by the Authority on 10 March 2010. The Authority acknowledged that the Charter had been submitted within the required timeframe.</p> <p>The Authority has provided a 12 month extension to the deadline for the next review to 12 February 2013.</p> <p>However, there is no process in place to ensure that the timeframes in future would be met.</p>	Low	Implement a Compliance Schedule with the Customer Service Charter review dates included as part of the schedule of events to ensure regulatory timeframes are met.	As recommended will implement a Compliance Schedule with the Customer Service Charter review dates included. NB. The Authority has extended the date for review of the Charter by 12 months to 12 February 2014.	Vicki Webster EMCS September 2012
1.3 (item 44)	<p>Review of Asset Management System</p> <p>The audit confirmed with the Shire's A/CEO that during the audit period, the Shire has introduced a</p>	Low	a) Update the Asset Management Plan for the requirement to notify the Authority of any changes to	As per the recommendation, will update the Asset	Vicki Webster EMCS

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	<p>new Asset Management Plan (AMP). The Authority was notified of progress in Post Audit Implementation Plan updates.</p> <p>Apart from the new AMP, there were no material changes made to the asset management system that would require notification to the Authority.</p> <p>However, there is no process in place to ensure that the Shire would notify the Authority of any changes to its asset management system within 10 business days from the date of change.</p> <p>Moreover, although the Legislative Requirements section of the Asset Management Plan (October 2010) refers to the requirement to notify any changes to the system to the Authority, the required timeframe is not specified.</p>		<p>the asset management system within 10 business days.</p> <p>b) Implement a Compliance Schedule and note the required timeframe of 10 business days for notification of asset management system changes to the Authority.</p>	<p>Management Plan.</p>	<p>February 2013</p>
<p>2</p>	<p>Asset Management System Review</p>				
<p>2.1</p>	<p>Asset Planning – Lifecycle Costs</p> <p>Lifecycle costs of owning and operating assets should be assessed.</p> <p>The AMP states the overall replacement cost of the scheme as \$682,984. However, there is no detailed financial data on the income and expenditure for the next 5 years, and the required transfer to reserves for the future replacement of the assets. There is no indication as to whether the current sewerage reserve of \$76,516 at 30 June 2011 is adequate to cover future replacement costs.</p>	<p>Medium</p>	<p>Update the Asset Management Plan to show a detailed lifecycle costing of the scheme, the transfer to reserves required to meet future replacement costs; and the annual income and operating and maintenance costs for the next 5 years.).</p>	<p>As per the recommendation, will update the Asset Management Plan. This will coincide with Council's Integrated Planning and Forward Capital Works Program.</p>	<p>Vicki Webster EMCS 30 June 2013</p>

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	There is no detailed costing showing the complete lifecycle costs (capital, operating and maintenance cost) to enable the income and expenditure to be budgeted, and the level of the sewerage reserve to be determined.				
2.2	<p>Asset Planning</p> <p>The Asset Management Plan has not been reviewed or updated since it was issued in October 2010.</p> <p>Various parts of the Plan have not been completed, such as the risk assessment, financial plan and capital expenditure plan. Although the Ongerup scheme is a small and relatively simple scheme to operate, the licence requires at least a basic Asset Management Plan to be developed and maintained.</p>	Medium	<p>a) Revise the AMP and implement a procedure to review/update the Plan on an annual basis or if major changes occur, and full revision and re-issue every 5 years.</p> <p>b) Complete the risk assessment in the AMP.</p> <p>c) Complete the Financial Plan in the AMP.</p> <p>d) Complete the Capital Expenditure Plan in the AMP.</p> <p>e) Modify the "Document Status" table to include a brief description of changes to the document from the previous version.</p>	As per the recommendation will revise and implement a procedure	Vicki Webster EMCS 30 June 2013
2.3	<p>Asset Disposal and Maintenance</p> <p>Under-utilised and under-performing assets should be identified as part of a regular systematic review process.</p> <p>This is a small system with only the essential assets to enable it to function. No disposals are</p>	Low	Implement the procedure for annual review in February of the condition of all assets for the scheme and record this information in the Asset Register for the scheme.	As per the recommendation, will implement the procedure to review the condition of all assets	Vicki Webster EMCS February 2013

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	<p>anticipated.</p> <p>The AMP requires an annual inspection of assets to be undertaken in February each year and the condition recorded in the Asset Condition and Performance Spreadsheet. There is no available documentation of any inspections since the plan was developed in October 2010.</p>				
2.4	<p>Environmental Analysis</p> <p>Opportunities and threats for the system are not documented in the AMP.</p>	Low	Update the AMP to include a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis for the assets and operation of the scheme, including meeting the service and performance standards per the operating licence from the Authority.	As per the recommendation, will update the AMP.	Vicki Webster EMCS February 2013
2.5	<p>Risk Management</p> <p>Risk management policies and procedures should exist and be applied to minimise internal and external risks associated with the asset management system.</p> <p>The Risk Management Methodology is outlined in the AMP. The Risk Assessment spreadsheet does not appear to have been completed.</p>	Low	Complete a risk assessment following the risk management methodology in the AMP and document the risks, risk assessments and any treatment plans in the Risk Assessment spreadsheet (for asset failure and potential events relating to non-compliance with the operating licence).	As per the recommendation, will complete a risk assessment.	Vicki Webster EMCS February 2013
2.6	<p>Contingency Planning</p> <p>Contingency plans should be documented, understood and tested to confirm their operability and to cover higher risks.</p>	Low	a) Following the risk assessment, a set of contingency plans and emergency procedures should be developed by the Shire to cover situations identified in the risk assessment as being a major or	Will complete a set of contingency plans and review annually thereafter.	Vicki Webster EMCS February 2013

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	Key staff have an understanding of unwritten procedures, such as the calling of a plumber in the case of a pipe blockage. The contingency planning section of the AMP has not been completed.		<p>significant risk.</p> <p>The contingency plans should include:</p> <ul style="list-style-type: none"> o Detailed procedures; o Key local contact details – name, number and location; o Communication protocols; o Specifications, location and availability of emergency equipment; and o Authorities that need to be contacted and when. <p>b) The contingency plans should be reviewed/tested on an annual basis such as a meeting of participants to confirm the plans are still current.</p>		
2.7	<p>Financial Planning</p> <p>The financial plan should provide projections of operating statements (profit and loss) and statement of financial position (balance sheets).</p> <p>The AMP states the overall replacement cost of the scheme as \$682,984. However, there is no detailed financial data on the income and expenditure for the next 5 years, and the required transfer to</p>	Medium	As per recommendation in 2.1 above, update the Asset Management Plan to show a detailed lifecycle costing of the scheme, the transfer to reserves required to meet future replacement costs; and the annual income and operating and maintenance costs for the next 5 years.).	As per the recommendation, will update the Asset Management Plan. This will coincide with Council's Integrated Planning and Forward Capital Works Program.	Vicki Webster EMCS 30 June 2013

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	<p>reserves for the future replacement of the assets. There is no indication as to whether the current sewerage reserve of \$\$76,516 at 30 June 2011 is adequate to cover future replacement costs.</p> <p>There is no detailed costing showing the complete lifecycle costs (capital, operating and maintenance cost) to enable the income and expenditure to be budgeted, and the level of the sewerage reserve to be determined.</p>				
2.8	<p>Capital Expenditure Planning</p> <p>The capital expenditure plan should show the capital expenditure and timing consistent with the replacement of assets over their lifecycle.</p> <p>The AMP states the overall replacement cost of the scheme as \$682,984. However, there is no detailed financial data on the income and expenditure for the next 5 years, and the required transfer to reserves for the future replacement of the assets. There is no indication as to whether the current sewerage reserve of \$\$76,516 at 30 June 2011 is adequate to cover future replacement costs.</p> <p>There is no detailed costing showing the complete lifecycle costs (capital, operating and maintenance cost) to enable the income and expenditure to be budgeted, and the level of the sewerage reserve to be determined.</p>	Medium	As per recommendation in 2.1 above, update the Asset Management Plan to show a detailed lifecycle costing of the scheme, the transfer to reserves required to meet future replacement costs; and the annual income and operating and maintenance costs for the next 5 years.).	As per the recommendation, will update the Asset Management Plan. This will coincide with Council's Integrated Planning and Forward Capital Works Program.	Vicki Webster EMCS 30 June 2013

END OF REPORT