



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

Operational Audit and
Asset Management
System Review

Final Report
February 2012

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Executive Summary

The Shire of Morawa 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 Morawa.

The Morawa sewerage scheme was originally constructed during 1979 and expanded in 1999. The scheme is operated by the Shire of Morawa and includes a gravity reticulation system, one pump station and rising main, a treatment plant and an effluent re-use scheme serving 296 residential and non-residential properties or the equivalent of 883 people. The scheme collects and treats approximately 75,000 KL annually of residential and commercial liquid wastes and re-uses approximately 65,000 KL annually on spray irrigation of the town's ovals.

The scheme consists of 6.2 km of gravity mains and 1.1 km of pressure main. The two primary and secondary treatment ponds have a storage capacity of 5,800 m³ and the effluent re-use storage pond has a capacity of 7,500 m³.

The load on the treatment plant is expected to increase significantly and possibly double over the next 10 years due to several mining and infrastructure projects in the region. Morawa is also one of the nine towns to participate in the 'SuperTowns' program in Western Australia. A recent study has recommended that a new primary dam should be constructed with associated piping, de-sludging of existing ponds and a new storage dam for winter overflows that currently occur.

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 Morawa has complied with its Water Services Operating Licence performance and quality standards and obligations during the audit period 1st December 2008 to 30th November 2011, with the exception of one non-compliance as follows:

- Not providing the 2011 Performance Report to the Authority by the due date (one month late).

The audit reviewed the action taken on previous audit recommendations in the audit report issued in February 2009 and confirmed that out of the 6 previous audit recommendations, 2 have been completed, 1 is no longer applicable and 3 have been partially completed. This demonstrates that there has been an improvement in compliance with the licence conditions. The partially completed issues all relate to the following:

- The Compliance Schedule recommended in the previous audit has been set up in the Deputy CEO's Outlook calendar. Activities and due dates are recorded but this information is not accessible by other staff members if the Deputy CEO was unavailable.

The audit recommended that the Shire:

- Ensures that performance and compliance reports are submitted by the due dates and documents the sources of information; and
- Arrange for the compliance schedule of dates in the Deputy CEO's Outlook calendar to be accessible by other Shire officers.

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

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

ASSET MANAGEMENT SYSTEM REVIEW

The review of the Asset Management System has shown that the processes are generally adequate and that Shire staff are familiar with the requirements of the system and apply it in the day to day operational running of the system.

The review confirmed that out of 5 recommendations in the previous report dated February 2009, 2 have been completed and 3 are outstanding. The outstanding issues are awaiting the Shire's consideration of a new wastewater treatment strategy with major asset improvements. The issues are as follows:

- Management strategies for the contingency plans are in the Asset Management Plan but detailed contingency plans have not yet been documented or tested;
- The Capital Investment Program in the Asset Management Plan has not been updated since 2009; and
- The Asset Management Plan has not been reviewed since 2009.

The following new issues were noted in the review:

- The Asset Management Plan has not been updated for the current licence issued in May 2009;
- The condition of assets is not recorded in the Asset Register after inspections;
- The treatment ponds have a heavy build-up of sediment and may need de-sludging;
- The risk register has not been updated since 2010; and
- The existing financial reserve for the wastewater treatment scheme has insufficient funds for the future replacement of the scheme's assets;

The review recommended that the Shire:

- Updates the Asset Management Plan for the current licence from the Authority;
- Records in the Asset Register the condition assessment of each asset component after inspections;
- Considers the need to de-sludge the treatment ponds;
- Updates the risk assessment in the Asset Management Plan and the risk register;
- Completes the development of contingency plans and annual testing;
- Updates the replacement costs and expected life of the assets and set aside sufficient funds for their future replacement;
- Establishes a process to review the capital investment plan annually; and
- Reviews the Asset Management Plan more frequently, such as annually, and track changes to the Plan in the document history.

The key components of the infrastructure including the pump stations and treatment ponds were inspected. The pipe system and pumps appear well-maintained but the waste water treatment plant and ponds seem to have had basic maintenance only resulting in sediment build-up.

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

POST AUDIT IMPLEMENTATION PLAN

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

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 Morawa 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 Manual, May 2011.

Respective Responsibilities

The Shire of Morawa 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 Morawa 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 Manual, May 2011.

Limitations

This report was prepared for distribution to the Shire of Morawa 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.

Unqualified Auditor's Opinion

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

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

QUANTUM ASSURANCE

GEOFF WHITE PERTH, WA
DIRECTOR 26 FEBRUARY 2012

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

Operational Audit and
Asset Management
System Review
- Introduction

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1. Background

The Shire of Morawa 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 Morawa.

The Morawa sewerage scheme was originally constructed during 1979 and expanded in 1999. The scheme is operated by the Shire of Morawa and includes a gravity reticulation system, one pump station and rising main, a treatment plant and an effluent re-use scheme serving 296 residential and non-residential properties or the equivalent of 883 people. The scheme collects and treats approximately 75,000 KL annually of residential and commercial liquid wastes and re-uses approximately 65,000 KL annually on spray irrigation of the town's ovals.

The scheme consists of 6.2 km of gravity mains and 1.1 km of pressure main. The two primary and secondary treatment ponds have a storage capacity of 5,800 m³ and the effluent re-use storage pond has a capacity of 7,500 m³.

The load on the treatment plant is expected to increase significantly and possibly double over the next 10 years due to several mining and infrastructure projects in the region. Morawa is also one of the nine towns to participate in the 'SuperTowns' program in Western Australia. A recent study has recommended that a new primary dam should be constructed with associated piping, de-sludging of existing ponds and a new storage dam for winter overflows that currently occur.

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

- David Williams – Deputy Chief Executive Officer

2.4 Key Documents Examined

- Shire of Morawa Water Services Operating Licence (OL2), 15 May 2009
- Audit Report Shire of Morawa Water Licence Operational Audit and Asset Management Review dated 17 February 2009
- Post Audit Implementation Plan - Shire of Morawa Water Licence Operational Audit and Asset Management Review dated 17 February 2009
- Post Audit Implementation Plan update dated 14 March 2011
- Shire of Morawa Customer Service Charter for Morawa Wastewater Services (reviewed June 2011)
- Shire of Morawa Annual Report for 2008-2009 and 2009-2010
- Shire of Morawa Sewerage Scheme Complaints Register
- Shire of Morawa Asset Management Plan - Sewerage and Effluent Reuse Scheme Assets (updated 17 June 2009)
- Performance Reports to the Authority for the years ended 30 June 2009, 2010 and 2011
- Compliance Reports to the Authority for the years ended 30 June 2009, 2010 and 2011
- Correspondence between the Shire and the Authority
- Sewerage Scheme Plans;
- Shire of Morawa Annual Budget 2011/12
- Shire of Morawa Forward Capital Works Plan November 2010
- Shire of Morawa Waste Water Assets Management System 2007
- Shire of Morawa – Report for Wastewater Scheme – Study to Develop Wastewater Treatment and Disposal Strategy – November 2011.

2.5 Operational Audit - Compliance Ratings

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

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

2.6 Asset Management System Review - Effectiveness Ratings

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

Asset management process and policy definition - Adequacy ratings

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

Asset management process - Performance ratings

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

2.7 Audit Team and Hours

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

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

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3. Operational Audit

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

3.1 Summary of Compliance Ratings

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

No. 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	Moderate					✓			
3	Asset Management System	Cl. 17.1	2	C	Medium	Moderate					✓			
4	Notify changes to Asset Management System	Cl. 17.2	1	C	Low	Moderate							✓	
5	Review of Asset Management System	Cl. 17.3	1	C	Low	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	Moderate					✓			
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	N/A to local government	Sch.3, Cl. 3.1	N/A	N/A	N/A	N/A						✓		
11	Customer complaints resolution	Sch.3, Cl. 3.8	2	B	Medium	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	N/A to local government	Sch.3 Cl.3.4	N/A	N/A	N/A	N/A						✓		
16	Option to refer complaint to Dept. of Water	Sch.3 Cl.3.10	2	B	Medium	Strong							✓	

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

No. 1	Operating Licence Compliance Element	Operating Licence reference (Cl.=clause, Sch.=schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (Low, Medium, High)	Adequacy of existing controls (S=strong, M=moderate, W=weak)	Compliance Rating (1=significantly non-compliant, 2=non-compliant, 3=compliant, 4=compliant, 5=compliant, N/A=not applicable, N/R=not rated)									
							1	2	3	4	5	N/A	N/R			
17	Must co-operate with Dept. of Water	Sch.3 Cl.3.6	2	C	Medium	Strong										✓
18	Provide details to Dept. of Water	Sch.3 Cl.3.7	2	C	Medium	Strong										✓
19	Customer Service Charter	Cl.7.1	1	C	Medium	Moderate							✓			
20	Availability of Customer Service Charter	Sch.3 Cl. 2.5	2	B	Medium	Strong							✓			
21	Charter reviewed every 3 years	Sch.3 Cl. 2.6	2	C	Low	Strong							✓			
22	Services consistent with Charter	Sch.3 Cl. 2.7	2	C	Medium	Moderate							✓			
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</i>	Sch.3 Cl. 4.4	N/A	N/A	N/A	N/A									✓	
28	Customer consultation prior to major changes	Sch.3 Cl. 4.5	2	B	Medium	Strong										✓
29	Council public question time	Sch. 3 Cl. 4.6	2	B	Medium	Strong							✓			
30	Modified customer agreements	Sch. 3 Cl. 5.1	2	B	Medium	Strong										✓
31	Annual report of non-standard agreements	Sch. 3 Cl. 5.4	2	B	Medium	Strong										✓
32	Customer survey, if directed by Authority	Sch. 3 Cl. 6	2	C	Medium	Strong										✓
33 to 40	<i>Not applicable to local government</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	<i>Not applicable to local government</i>	Cl. 18.1	N/A	N/A	N/A	N/A									✓	
47	Provide any information requested by Authority	Cl. 21.1	1	C	Medium	Moderate							✓			
48	Information reporting requirements	Cl. 21.2	2	B	Medium	Moderate		✓								
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							✓			

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	
-	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 February 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 (n/a)	Incident Reporting The requirement to report incidents was removed from water licences in May 2009.	As per the Schedule 3 Reports, the Shire of Morawa reported one sewerage overflow attributable to a blockage or failure in the licensee's infrastructure for 2005/06, one sewerage overflow for 2006/07 and one sewerage overflow for 2007/08. The Deputy CEO advised that the overflow reported was an error and the report should have shown nil overflows. However, we were unable to identify any documented process to ensure that any overflows are reported to the ERA in future, within 5 days of their occurrence.	3	Develop and implement a compliance schedule with timeframes for incident reporting noted in the schedule to ensure regulatory timeframes are met in case of overflows occurring.	<i>A compliance schedule will be developed and implemented.</i> <i>Deputy CEO</i> <i>31 May 2009</i>	No longer applicable - No action required.	CLOSED
1.2 (item 48)	Information Reporting Requirements The licensee must comply with the information reporting requirements as set out in Schedule 5.	Audit noted that although the annual performance reports for 2006/07 and 2007/08 were submitted within the required time. The 2005/06 report has been submitted to the Authority in September 2006 and therefore not on time in compliance with the licence requirements. There is no system in place to ensure the timely submission of reports and the submission of reports is	2	Develop and implement a compliance schedule with timeframes for annual performance report submission included as part of the schedule of events to ensure regulatory timeframes are met. The compliance	<i>A compliance schedule will be developed and implemented.</i> <i>Documentation explaining where and how to source the required information will be created; and</i>	The Compliance Schedule has not yet been fully developed and implemented. Although, the timeframes for annual performance report submission are now recorded in the Deputy CEO's Outlook calendar, this is not	PARTLY COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
		<p>purely reactionary to the reminder received from the ERA.</p> <p>The information for the reports comes from a variety of sources. However, information as to where and how to source the required data is not documented.</p>		<p>schedule will also help to meet regulatory timeframes by the replacement staff in case of the Shire's Deputy CEO unavailability due to leave or illness.</p> <p>Create documentation to explain where and how to source the required information; and file and keep copies of the source information together with a copy of the Schedule 3 Annual Performance Report to allow easier checking of the validity of the results.</p>	<p><i>copies of the source information will be filed and kept together with the Annual Performance Report.</i></p> <p><i>Deputy CEO</i> <i>31 May 2009</i></p>	<p>accessible by other staff members.</p> <p>Also, the documentation explaining where and how to source the required information has not yet been created.</p> <p><i>(Post Audit Implementation Plan item 1.2)</i></p>	
1.3 (item 14)	<p>Customer Complaints</p> <p>The licensee must provide an appropriate system to monitor and record the number, nature of and outcomes to complaints.</p>	<p>As confirmed by the Shire's Deputy CEO, there were no complaints received during the audit period. No written customer complaints were reported to the Authority as per the Annual Performance Reports during the audit period.</p> <p>In case a complaint is received, Shire of Morawa Notice of Item Requiring Attention form is to be completed. However, it was noted that the Complaints</p>	3	<p>The Complaint Register should be developed and maintained by the Shire in order to improve internal control over the recording and reporting of complaints (and procedures documented).</p> <p>Each customer complaint received by</p>	<p><i>The Complaints Register will be developed and maintained by the Shire; and complaints recording and reporting procedures will be documented.</i></p> <p><i>Each customer complaint received by the</i></p>	<p>The Complaint Register has been developed. As confirmed by the Shire's Deputy CEO, there were no complaints received during the audit period.</p>	COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
		Register has not been set up yet.		<p>the Shire and its outcome should be recorded in the Complaints Register in sufficient details in order to be able to ascertain:</p> <ul style="list-style-type: none"> • Date and time the complaint was received; • Name of the complainant; • Who received the complaint; • Method of complaint; • Details of the complaint; • Time from report of the complaint to action; • Details of the action taken; • Name of person authorising; and • Date/ time responded 	<p><i>Shire and its outcome will be recorded in the Complaints Register in sufficient details to reflect the recommendation.</i></p> <p><i>Deputy CEO</i> <i>30 June 2009</i></p>		
1.4 (items 4, 5 & 44)	<p>Asset Management System</p> <p>The licensee must notify the Authority of any changes to its asset management</p>	The AMP contains a section on Monitoring and Review Procedures that require the AMP to be reviewed five yearly and reissued when changes occur to the current system, processes and procedures. The	4	Update the Monitoring and Review Procedures section of the Asset Management Plan for the requirement to notify the Authority of	<i>The Monitoring and Review Procedures section of the Asset Management</i>	The Monitoring and Review Procedures section of the Asset Management Plan has now been updated for the requirement to notify the Authority of	PARTLY COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	<p>system within 10 business days from the date of change.</p> <p>The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an independent expert report, acceptable to the Authority, on the effectiveness of the Asset management System.</p>	<p>maintenance and capital investment plans shall be revised annually. However, the audit noted that the requirement to notify any changes to the system to the Authority is not stated in the AMP's review procedures.</p> <p>The effectiveness of the Asset Management System is currently being audited and the final report will be provided to the Authority by due date. However, we did not identify a process in place to ensure that the timeframes would be met. The implementation of the Asset Management System review was reactionary to a note sent by ERA and not planned.</p>		<p>any changes to the asset management system within the required timeframe.</p> <p>Develop and implement the compliance schedule with Asset Management System review dates included as part of the schedule of events to ensure regulatory timeframes are met.</p> <p>Note the required timeframes for the notification of the asset management system changes to the Authority in the compliance schedule to ensure regulatory timeframes are met in case of changes occurring in the asset management system.</p>	<p><i>Plan will be updated to reflect the recommendation.</i></p> <p>Deputy CEO 31 August 2009</p> <p><i>A compliance schedule will be developed and implemented; and the required timeframes for the notification of the asset management system changes to the Authority noted in the schedule to reflect the recommendation.</i></p> <p>Deputy CEO 31 May 2009</p>	<p>any changes to the asset management system within the required timeframe. Although, the timeframes are not specified.</p> <p>The Compliance Schedule has not yet been fully developed and implemented.</p> <p>Although, the asset management system review dates are now recorded in the Deputy CEO's Outlook calendar, this is not accessible by other staff members.</p> <p><i>(Post Audit Implementation Plan items 1.1)</i></p>	
1.5 (item 6)	<p>Operational Audit - Cl.16.1</p> <p>The Licensee must not less than once in every period of 24 months (or such other</p>	<p>This performance audit is now being undertaken.</p> <p>However, we did not identify a process in place to ensure that the timeframes would be met. The implementation of the</p>	4	<p>Develop and implement a compliance schedule with Operational Audit dates included as part of the schedule of events to ensure</p>	<p><i>A compliance schedule will be developed and implemented.</i></p> <p>Deputy CEO</p>	<p>The Compliance Schedule has not yet been developed and implemented.</p> <p>Although, the operational audit dates</p>	PARTLY COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	period determined by the Authority) provide the Authority with an operational audit conducted by an independent expert, acceptable to the Authority.	Operational Audit was reactionary to a note sent by the ERA and not planned.		regulatory timeframes are met.	31 May 2009	are now recorded in the Deputy CEO's Outlook calendar, this is not accessible by other staff members. <i>(Post Audit Implementation Plan item 1.1)</i>	
1.6 (items 20 & 21)	<p>Customer Service Charter</p> <p>The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence.</p> <p>The licensee must review its Customer Service Charter at least once in every three year period.</p>	<p>The Shire of Morawa Customer Service Charter has been reviewed in June 2008 and approved by the ERA on 30 June 2008.</p> <p>The audit found that the Shire of Morawa has submitted their new charter for approval within an acceptable timeframe. However, we did not identify a process in place to ensure that the timeframes would be met. The review and submission of the Customer Service Charter was reactionary to a note sent by ERA and not planned.</p> <p>Audit confirmed through sighting that the charter is prominently displayed at the office reception, and through the discussion with the Shire's Deputy CEO that the charter is provided upon request and at no charge to the customers.</p>	4	<p>Increase accessibility of the Charter by making the Customer Charter available to customers on their website.</p> <p>Advise its customers on the availability of the Customer Service Charter on an annual basis.</p> <p>Develop and implement the compliance schedule with a Customer Service Charter review dates included as part of the schedule of events to ensure regulatory requirements are met.</p> <p>Note the Customer Service Charter annual notification</p>	<p><i>The Customer Service Charter will be made available to customers on the Shire's website.</i></p> <p><i>Finance Manager</i></p> <p><i>30 June 2009</i></p> <p><i>A compliance schedule will be developed and implemented; and the Customer Service Charter annual notification requirement will be noted in the schedule to reflect the recommendation.</i></p>	<p>The audit confirmed that the Customer Service Charter is available to customers on the website.</p> <p>The Shire's annual levy rate notice now has notification advising availability of the Customer Service Charter and link to the Shire's website.</p>	COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
		<p>However, the audit was not able to establish that the Shire of Morawa is advising its customers of the availability of the customer service charter on an annual basis. Also, no process is in place to ensure that the Customer Service Charter availability notification will be provided to the Shire's customers on an annual basis.</p>		<p>requirement in the compliance schedule to ensure that customers are advised of the availability of the Customer Service Charter on an annual basis.</p>	<p><i>Deputy CEO</i> <i>31 May 2009</i></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	The audit reviewed the Shire's Performance Reports for the year ended 30 June 2009, 2010 and 2011 and noted that the Shire complied with all performance standards.	5
3	Water Services Licensing Act Section 36(1)(a)	Clause 17.1	The Licensee must have an Asset Management System in respect to the licensed activity.	2	4	The audit confirmed that the Asset Management System in respect to the licensed activity is in place.	5
4	Water Services Licensing Act Section	Clause 17.2	The Licensee must notify the Authority of any changes to the Asset Management	2	5	The audit confirmed with the Shire's Deputy CEO that during the audit period, the Shire has made no significant changes to the asset management system.	N/R

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

No ²	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
	36(1)(b)		System.				
5	Water Services Licensing Act Section 36(1)(c)	Clause 17.3	The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an independent expert report, acceptable to the Authority, on the effectiveness of the Asset management System.	2	5	<p>The Asset Management System Review is now being undertaken and will be completed within the prescribed time.</p> <p>The Compliance Schedule has not yet been fully developed and implemented. Although, the Asset Management System Review dates are now recorded in the Deputy CEO's Outlook calendar, this is not accessible by other staff members.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Arrange for the compliance schedule of dates in the Deputy CEO's Outlook calendar to be accessible by other Shire officers (eg shared calendar in Outlook). <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 Performance Audit is now being undertaken and will be completed within the prescribed time.</p> <p>The Compliance Schedule has not yet been developed and implemented. Although, the Performance Audit dates are now recorded in the Deputy CEO's outlook calendar, this is not accessible by other staff members.</p> <p>Refer recommendation in item 6.</p>	5
7	Water Services Licensing Act Section 38(2)	Clause 20.1	<p>The licensee must comply with the performance standards set out in Schedule 4.</p> <ul style="list-style-type: none"> Emergency telephone 	2	2	<p>The audit reviewed the Shire's Performance Reports for the year ended 30 June 2009, 2010 and 2011 and noted that the Shire complied with the performance standards over the audit period.</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)
			<p>response system such that customers need only make one call and they are advised of the nature and timing of action within one hour (Target is 90% of calls).</p> <ul style="list-style-type: none"> • 90% of complaints resolved within 15 business days. • Fewer than 40 blockages per 100km of sewer main per year • 90% of connected properties experience no sewerage overflows per year 				
LICENCE COMPLIANCE REQUIREMENTS – WATER COORDINATION REGULATION 1996							
8	Water Services Coordination Regulations Section 2	Clause 4.1	The licensee must pay the applicable fees in accordance with the regulations.	N/R	5	The licence expires on 29 April 2021. The application for renewal of the licence is to be accompanied by the prescribed fee.	N/R
LICENCE COMPLIANCE REQUIREMENTS – LICENCE CONDITIONS							

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)
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 Morawa 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 Deputy 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
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 Morawa is a Local Government Agency so this is not applicable.	N/A
13	N/A	Schedule 3 Clause 3.9(b)	The licensee must provide one trained staff member who is authorised or has access to another officer who is authorised to make necessary decisions to respond to	NR	5	The Shire's CEO is authorised to make necessary decisions to settle the customer complaints or disputes. The Shire's staff have been provided with complaints resolution training through the OHS courses. The CEO ensures that complaints or concerns about the sewer system are passed on to the Works Supervisor.	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)
			complaints.			Should the complaint or concern be a matter of public health, then the Deputy CEO will be contacted.	
14	N/A	Schedule 3 Clause 3.2(d)	The licensee must provide an appropriate system to monitor and record the number, nature of and outcomes to complaints.	NR	3	In case a complaint is received, a Notice of Item Requiring Attention form is to be completed. Also, the Complaint Register has been developed by the Shire.	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 Morawa 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 Deputy CEO that there were no sewerage related customer complaints received by the Shire over the audit period. The Customer Service Charter outlines process in regards to enquiries, suggestions, complaints and disputes.	N/R
17	N/A	Schedule 3 Clause 3.6	The licensee must co-operate with the Department of Water's request for information concerning a disputed complaint.	NR	4	The Audit confirmed with the Shire's Deputy CEO that there were no sewerage related customer complaints received by the Shire over the audit period. The audit confirmed with the Shire's Deputy CEO that during the audit period, there were no such requests received from the Department of Water.	N/R
18	N/A	Schedule 3 Clause 3.7	The licensee must, on request, provide complaints	NR	4	The Audit confirmed with the Shire's Deputy CEO that there were no sewerage related customer complaints received by	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)
			details to the Department of Water.			the Shire over the audit period. The audit confirmed with the Shire's Deputy CEO that during the audit period, there were no such requests received from the Department of Water.	
19	N/A	Clause 7.1	The licensee must establish a Customer Service Charter as set out in Schedule 3.	2	4	The revised Shire of Morawa Customer Service Charter was approved by the Authority on 29 July 2011.	5
20	N/A	Schedule 3 Clause 2.5	The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence.	2	3	The audit confirmed through sighting that the Charter is prominently displayed at the Shire's reception, and through discussion with the Shire's Deputy CEO that the Charter is provided upon request and at no charge to customers. In addition, the audit confirmed that the Charter is available to customers on the website. The Shire's annual levy rate notice now has notification advising availability of the Customer Service Charter and a link to the Shire's website. The audit confirmed this by sighting the Shire's latest annual levy rate notice.	5
21	N/A	Schedule 3 Clause 2.6	The licensee must review its Customer Service Charter at least once in every three year period.	2	5	The previous Charter was approved by the Authority in June 2008. The Charter was due for review by 30 June 2011. The Shire of Morawa submitted the first draft of its charter to the Authority for approval on 10 June 2011 and the final version on 15 July 2011. The revised Shire of Morawa's Customer Service Charter for Morawa Wastewater Services was approved by the Authority on 29 July 2011.	5
22	N/A	Schedule 3 Clause 2.7	The licensee must provide its services consistent with its	2	4	The audit confirmed that the Shire provide its services consistent with its Customer Service Charter.	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)
			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.	
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 Deputy 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	The audit confirmed with the Shire's Deputy CEO that the Shire hold regular electors meetings and articles are being placed in the local newspaper. The Shire also allows its customers to raise matters of concern regarding the sewerage system at public question time during the Morawa Council meetings.	5
25	N/A	Schedule 3 Clause 4.2	The licensee must consult the Authority on the type and extent of consultation to be adopted by the licensee.	NR	4	The Shire's Customer Service Charter states that community involvement in the Shire's service planning and decision making processes will be sought through forums such as focus groups, customer surveys, and display at local functions. The Shire will use local media bulletins to advise customers of any system changes that may result in significant variation in its service levels. In 2011, the Shire of Morawa placed an advertisement in the local paper advising the public of the Shire's intention to review the charter and calling for public submissions. No public submissions were received.	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)
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 Deputy 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 Deputy 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 concern regarding Council public question time in accordance with the <i>Local Government Act 1995</i> .	NR	4	The audit confirmed with the Shire's Deputy CEO that the Shire allows its customers to raise matters of concern regarding the sewerage system at public question time during the Morawa Council meetings.	5
30	N/A	Schedule 3 Clause 5.1	The licensee may enter into an agreement with a customer	NR	4	The audit confirmed with the Shire's Deputy CEO that no such agreements have been entered into over the audit	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)
			to provide water services that may exclude, modify or restrict the terms of the licence.			period.	
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 Deputy 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 Deputy 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 Morawa prepares a comprehensive Annual Report for the whole of the Shire, which is independently audited by a certified auditor. The audit sighted the Shire's Financial Report for the year ended 30 th June 2010, including an Independent Audit Report.	5
42	Water Services Licensing Act Section 37	Clause 16.2	The licensee must comply and require the licensee's auditor to comply with the Authority's Standard Audit Guidelines, minimum requirements regarding appointment of the auditor, scope of audit, conduct of the audit and	NR	4	The Shire's Audit Plan –Water Services Operating Licence – Operational Audit and Asset Management System Review, dated 31 October 2011, stipulates compliance requirements on auditors.	5

No ²	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			reporting of the audit.				
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	The audit confirmed with the Shire's Deputy CEO that during the audit period, the Shire has made no significant changes to the asset management system. The Monitoring and Review Procedures section of the Asset Management Plan has now been updated for the requirement to notify the Authority of any changes to the asset management system within the required timeframe.	N/R
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 October 2011 stipulates compliance requirements on auditors.	5

No ²	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
46	N/A	Clause 18.1	The licensee must report to the Authority if it is under external administration within 2 business days or significant change in its financial or technical circumstances within 10 business days.	2	N/A	Shire of Morawa is a Local Government Agency so this is not applicable.	N/A
47	N/A	Clause 21.1	The licensee must provide any information the Authority may require in connection with its functions under the Act.	2	3	In addition to the reporting requirements under the Water Compliance Reporting Manual, the Shire provided updates on the Post-Audit Implementation Plan in respect of the 2008 performance audit and asset management system review to the Authority. An update of the PAIP was due to be submitted to the Authority by September 2011 but was deferred by the Shire pending receipt of a study of wastewater disposal and treatment strategy by an external engineer in November 2011 (and the impending audit).	4
48	N/A	Clause 21.2	The licensee must comply with the information reporting requirements as set out in Schedule 5.	2	3	In accordance with the Water Compliance Reporting Manual May 2011, the Shire is required to submit to the Authority: <ul style="list-style-type: none"> ▪ Annual performance reports no later than 31 July for the reporting year ending 30 June; and ▪ Annual compliance reports by 31 August for the year ending 30 June. <p>The audit reviewed the Shires Compliance and Performance Reports for the years ending 30 June 2009, 2010 and 2011 to the Authority and noted the following exceptions:</p> <ul style="list-style-type: none"> ▪ The Performance Report for the year ended 30 June 	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>2011 was submitted in August 2011 (after the due date). The Authority acknowledged this non-compliance. The Compliance Report for the year ending 30 June 2012 should report this as a non-compliance.</p> <p>The Compliance Schedule has not yet been fully developed and implemented. Although, the reporting dates are now recorded in the Deputy CEO's Outlook calendar, this is not accessible by other staff members. (Refer recommendation in item 5).</p> <p>The source of information for the reporting should also be documented.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ Ensure that all future Performance and Compliance Reports are submitted to the Authority within the timeframes required. ▪ Create documentation explaining how to source the information for the annual performance and compliance reporting. <p><i>(Post Audit Implementation Plan item 1.2)</i></p>	
49	N/A	Clause 22.2 and 22.4	The licensee must publish relevant information directed to do so by the Authority within the specified timeframes.	NR	5	The audit confirmed with the Shire's Deputy CEO that during the audit period, no such directions were received from the Authority.	N/R
-	N/A	Schedule 6	The licensee must set out in writing its conditions for	NR	4	The audit confirmed that the Shire provide its services consistent with its Customer Service Charter.	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)
		Clause 2.1	connection and make it available to people enquiring or applying for connection.			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.	
-	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 Deputy 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 Deputy 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 Morawa has complied with its Water Services Operating Licence performance and quality standards and obligations during the audit period 1st December 2008 to 30th November 2011, with the exception of one non-compliance as follows:

- Not providing the 2011 Performance Report to the Authority by the due dates.

The audit reviewed the action taken on previous audit recommendations in the audit report issued in February 2009 and confirmed that out of the 6 previous audit recommendations, 2 have been completed, 1 is no longer applicable and 3 have been partially completed. This demonstrates that there has been an improvement in compliance with the licence conditions. The partially completed issues all relate to the following:

- The Compliance Schedule recommended in the previous audit has been set up in the Deputy CEO's Outlook calendar. Activities and due dates are recorded but this information is not accessible by other staff members if the Deputy CEO was unavailable.

The audit recommended that the Shire:

- Ensures that performance and compliance reports are submitted by the due dates and documents the sources of information.
- Arrange for the compliance schedule of dates in the Deputy CEO's Outlook calendar to be accessible by other Shire officers.

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

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

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

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

Asset Management
System Review –
Detailed Report

Final Report
February 2012

4. Asset Management System Review

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

This included evaluating the key processes of:

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

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

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

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

4.1 Summary of Asset Management System Ratings

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

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

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

4.2 Previous Review Recommendations

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

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
2.1	Environmental Analysis Compliance with statutory and regulatory requirements	The Asset Management Plan (AMP) section on Regulatory Requirements outlining the requirements of the operating licence for the sewerage services need to be updated in line with the new operating licence issued to the Shire of Morawa on 6 th August 2008.	4	Update the Asset Management Plan in line with the requirements of the new operating licence for the sewerage services issued to the Shire of Morawa on 6 th August 2008.	<i>The Asset Management Plan will be updated to reflect the recommendations.</i> EHO 31 August 2009	The AMP was updated for the 2008 licence.	COMPLETED
2.2	Risk Management Risks are documented in a risk register and treatment plans are actioned and monitored	The Risk Management Methodology is outlined in the AMP. The Risk Assessment Excel spreadsheet has been completed for water services operating licence risks and access chambers and gravity mains. However, the sewerage pump station and wastewater treatment plant risk assessment lacks assessment of adequacy of controls and priority and the risk assessment for effluent re-use has not been completed at all. Some other risk events	2	Revise the Risk Assessment following the Risk Assessment Methodology outlined in the AMP and in the Risk Assessment Excel spreadsheet and consolidate the risks identified. Update the Risk Assessment Excel spreadsheet in line with the new operating licence for the sewerage services issued to the Shire of Morawa 6 th August 2008.	<i>The Risk Assessment will be revised and the identified risks consolidated to reflect the recommendation.</i> <i>The Risk Assessment Excel spreadsheet will be updated in line with the new water services operating licence.</i>	The risk assessment was updated.	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
		<p>have been also identified in the “Mitigation and Management Strategies” section of the AMP such as earthquake, major storm, plant failure etc. but there appears to be no link between the risk assessments in the Risk Assessment Excel spreadsheet and the risk identified in the AMP. Moreover, there appears to be some inconsistency in risk assessment for example Plant failure was identified as a risk in the AMP, but the risk assessment in the Excel spreadsheet rated the inherent risk of wastewater treatment plant failure as low. Also some potential risks might not have been identified such as the power failure, pump failure etc.</p> <p>Also, the Risk Assessment Excel spreadsheet needs to be updated in line with the new operating licence for the sewerage services issued to the Shire of Morawa on 6th August 2008.</p> <p>Overall, the risk assessment</p>			<p><i>EHO</i> <i>31 October 2009</i></p>		

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
		for asset management planning is very basic. The Shire needs to revise its risk assessment and to consolidate the risks identified.					
2.3	<p>Contingency Plans</p> <p>Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.</p>	<p>There are basic contingency planning and procedures outlined in the Risk Management section of the Asset Management Plan, but these are over-reliant on individual knowledge. Contingency plans need to be clear enough for someone not directly involved in the day to day operations to be able to successfully action the plan.</p> <p>More detailed contingency plans documenting the steps needed to deal with an unexpected failure of a system, process or procedure need to be developed.</p> <p>The contingency plans have not been tested.</p>	1	<p>Following the risk assessment, a set of contingency plans or emergency procedures should be developed by the Shire to cover situations identified in the risk assessment as being a major or significant risk. For example bushfire affecting ponds or reticulation equipment; reticulation pump or electrical failure; chlorinator failure; extreme rainfall events/water overflows from the ponds; pipeline burst or blockages etc..</p> <p>The contingency plans should include:</p> <ul style="list-style-type: none"> Detailed procedures; Key local contact details – name, number and location; 	<p>A set of <i>contingency plans will be developed to cover situations identified in the risk assessment as being a major or significant risk.</i></p> <p><i>The contingency plans will be then reviewed and tested on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency.</i></p> <p>EHO</p>	<p>Detailed contingency plans have not yet been developed. Now pending consideration of new wastewater treatment strategy report dated November 2011.</p> <p><i>(Post Audit Implementation Plan item 2.5)</i></p>	OUTSTANDING

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
				<ul style="list-style-type: none"> • Communication protocols; • Specifications, location and availability of emergency equipment; and • Authorities that need to be contacted and when. <p>Once developed, the contingency plans should be reviewed and tested on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency.</p>	31 October 2009		
2.4	<p>Capital Expenditure Planning</p> <p>There is a capital expenditure plan that covers issues to be addressed, actions</p>	<p>The AMP states that “The value of the five year capital expenditure by asset category is not detailed until an asset condition report is received from GHD Engineering.”</p> <p>As confirmed by the Shire’s EHO the asset condition report mentioned is actually</p>	3	<p>Update the “Capital Investment Program” section of the AMP for the five year capital expenditure by asset category once based on the CCTV inspection and condition report compiled by Perth Pressure Jet Services in</p>	<p><i>The AMP will be updated.</i></p> <p>EHO</p> <p>31 October 2009</p>	<p>The Capital Investment Program has not been updated since 2007. Now pending consideration of new wastewater treatment strategy report dated November 2011.</p> <p><i>(Post Audit</i></p>	OUTSTANDING

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	proposed, responsibilities and dates.	a CCTV inspection and condition report compiled by Perth Pressure Jet Services in May 2008 which separated the Shire's sewerage scheme assets into the 5 risk categories. As confirmed by the Shire's EHO, the Shire has already budgeted for category 4 and 5 being urgent and urgent in the short term respectively, with the rest to be attended in the next couple of years. The capital expenditure plan, however, still needs to be developed to reflect the CCTV inspection assessment.		May 2008.		<i>Implementation Plan items 2.1 and 2.7)</i>	
2.5	Review of Asset Management System A review process is in place to ensure that the asset management plan and the asset management system described therein are kept	The AMP contains a section on Monitoring and Review Procedures that require the AMP to be reviewed five yearly and reissued when changes occur to the current system, processes and procedures. The maintenance and capital investment plans shall be revised annually. The audit noted that the requirement to notify any changes to the system to the Authority is not stated in	3	The Asset Management Plan should be reviewed in more frequent intervals i.e. annually and reissued when changes occur. Accompanying Excel spreadsheet should be updated during the year as required and revised annually. Keep track of all reviews of the Asset Management Plan. Ensure the "Document	<i>AMP is generally reviewed in April of each year in the development of the following annual Shire budget.</i> <i>The track of all reviews of the AMP will be kept by the Shire.</i> EHO 30 April 2009	All asset systems are to be reviewed on completion of the scope of work per the wastewater treatment strategy report (November 2011). The AMP will need to be revised. <i>(Post Audit Implementation Plan item 2.8)</i>	OUTSTANDING

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	current.	<p>the AMP's review procedures. This issue is already covered by the Recommendation 1.4.</p> <p>The back page of the AMP contains "Document Status" table that outlines the revision number, the author, the reviewer, and who approved the AMP for issue and when. The table notes that the AMP was approved for issue on 31/01/07, however, on the front page of the AMP is stated 17 March 2007. This suggests that either the "Document Status" has not been updated or some confusion exists as to the latest date of issue. Moreover, the users of the AMP could benefit from a brief description of changes to the document from the previous version.</p> <p>The Monitoring and Review Procedures in the AMP suggest review of the AMP in five yearly intervals and the maintenance and capital investment plans shall be revised annually.</p> <p>The "Document Status"</p>		<p>Status" table is updated every time change to the Asset Management Plan occur and the Asset Management Plan is reissued.</p> <p>Modify the "Document Status" table to include a brief description of changes to the document from the previous version is recommended.</p> <p>Update the sections of the Asset Management Plan identified by the operational audit and the asset management system review as requiring amendment.</p>	<p><i>The 'Document Status' table will be updated every time the Asset Management Plan is reissued; and the table will be modified to include a brief description of changes from previous version.</i></p> <p><i>The sections of the Asset Management Plan identified as requiring amendment will be updated to reflect the recommendation.</i></p> <p>EHO</p> <p>31 August 2009</p>		

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
		<p>table does not provide for recording details about routine reviews of the document that do not escalate into the reissue of the AMP.</p> <p>The operational audit and asset management system review identified that some sections of the AMP need to be updated to reflect current practices such as:</p> <ul style="list-style-type: none"> • Update the AMP in line with the requirements of the new operating licence for the sewerage services issued to the Shire of Morawa on 6th August 2008; and • Update the “Capital Investment Program” section of the AMP for the five year capital expenditure by asset category based on the CCTV inspection and condition report compiled by Perth Pressure Jet Services in May 2008; etc. 					

4.3 Review Results and Recommendations

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating ³	A	Performance Rating ⁴	2
1	ASSET PLANNING				
1.1	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	The Shire of Morawa Asset Management Plan (AMP) was sighted. The Plan was developed in 2007 and has had minor updates in 2009. The goal, objective and level of service are stated in the AMP.			
1.2	Service levels are defined.	The Shire of Morawa AMP was sighted. The goal, objective and level of service are stated in the AMP.			
1.3	Non-asset options (e.g. demand management) are considered.	The assets are considered appropriate for the current levels of demand.			
1.4	Lifecycle costs of owning and operating assets are assessed.	Lifecycle costs are included in the AMP.			
1.5	Funding options are evaluated.	<p>The Shire maintains a Waste Water Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Morawa Sewerage Scheme.</p> <p>The Shire charges annual rates that include expenditure on the sewerage scheme.</p> <p>Other funding sources through to 2012/13 are outlined in the Shire of Morawa Forward Capital Works Plan November 2010. This Plan is out-of-date in respect of planning for upgrades to the sewerage scheme as recommended in the wastewater treatment and disposal strategy report (November 2011).</p>			
1.6	Costs are justified and cost drivers identified.	The analysis assumes that assets will be replaced at the end of their standard economic life.			
1.7	Likelihood and consequences of asset failure are predicted.	The analysis assumes that assets will be replaced at the end of their standard economic life.			
1.8	Plans are regularly reviewed and	The AMP is reviewed in April of each year in the development of the annual Shire budget for the following year. The			

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)			
	updated.	latest update for minor changes in 2009. <i>The Asset Management Plan will need to be revised after a decision is made on the proposed upgrades to the capacity of the scheme in early 2012.</i>			
2	ASSET CREATION/ ACQUISITION	Process Rating	A	Performance Rating	1
2.1	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	During the audit period there were no major asset acquisitions, only ongoing repairs and maintenance, and replacements of existing infrastructure as required.			
2.2	Evaluations include all life-cycle costs.	During the audit period there were no major asset acquisitions, only ongoing repairs and maintenance, and replacements of existing infrastructure as required.			
2.3	Projects reflect sound engineering and business decisions.	During the audit period there were no major asset acquisitions, only ongoing repairs and maintenance, and replacements of existing infrastructure as required. New assets required in the future will be procured through the Government Supply system where available or through public tendering and in accord with the Shire's procurement policies and procedures. A strategy for upgrades to the scheme has recently been completed by engineering consultants.			
2.4	Commissioning tests are documented and completed.	During the audit period there were no major asset acquisitions, only ongoing repairs and maintenance, and replacements of existing infrastructure as required.			
2.5	Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	Section 2.3 of the AMP outlines the legislative requirements. The licence requirements refer to the previous licence from the Authority (IL/24 Version 4) and need to be updated for the current licence issued in May 2009. Recommendation: ▪ Update the Asset Management Plan for the requirements of the current operating licence (May 2009) from the Authority. <i>(Post Audit Implementation Plan item 2.2)</i>			
3	ASSET DISPOSAL	Process Rating	A	Performance Rating	2
3.1	Under-utilised and under-performing assets are identified as part of a	An Asset Register spreadsheet was sighted.			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	regular systematic review process.	<p>However, the Asset Register is not updated to accurately reflect the condition of individual components of the system.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ Record in the Asset Register, the condition of each asset component of the scheme based on inspections carried out. <p><i>(Post Audit Implementation Plan item 2.1)</i></p>			
3.2	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	<p>The system is meeting demand and working close to capacity. As such there are no plans to dispose of any major assets in the foreseeable future.</p> <p>Should asset condition assessment reveal under-performing assets or the service level change dramatically; an asset disposal plan will be required, to ensure that the process is correctly undertaken.</p>			
3.3	Disposal alternatives are evaluated.	<p>Assets at the end of their life will be replaced with a similar capacity and the old asset dumped or recycled for scrap as appropriate.</p>			
3.4	There is a replacement strategy for assets.	<p>The Capital Investment Plan has a program for the replacement of assets that shows no major capital expenditure is due in the next 5 years. However, a strategy for upgrades to the scheme has recently been completed by engineering consultants that will expand the scheme. This may affect the replacement strategy for existing assets, such as de-sludging the treatment ponds to extend their life.</p>			
4	ENVIRONMENTAL ANALYSIS	Process Rating	A	Performance Rating	2
4.1	Opportunities and threats in the system environment are assessed.	<p>There is not a specific section in the AMP on opportunities and threats for the system, but there is a section on the existing environment that describes external factors.</p>			
4.2	Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved.	<p>Annual Performance Report sighted for 2008/09, 2009/10 and 2010/11.</p>			
4.3	Compliance with statutory and regulatory requirements.	<p>Yes, 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; 			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<ul style="list-style-type: none"> ▪ Occupational Safety and Health Act 1984; and ▪ Occupational Safety and Health Regulations 1996. <p>Section 2.3 of the AMP outlines the legislative requirements. The licence requirements refer to the previous licence from the Authority (IL/24 Version 4) and need to be updated for the current licence issued in May 2009.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ Update the Asset Management Plan for the requirements of the current operating licence (May 2009) from the Authority. <p><i>(Post Audit Implementation Plan item 2.2)</i></p>			
4.4	Achievement of customer service levels.	Compliance reports have been submitted for the past 3 years. No complaints have been received.			
5	ASSET OPERATIONS	Process Rating	A	Performance Rating	2
5.1	Operational policies and procedures are documented and linked to service levels required.	The Asset Management Plan includes only an overview of the operations of the system. However, the manufacturer's operating instructions/manuals are kept and used by maintenance staff.			
5.2	Risk management is applied to prioritise operations tasks.	A risk assessment was completed as part of the Asset Management Plan and the results are considered in prioritising operational and maintenance tasks.			
5.3	Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and accounting data.	<p>The Shire currently operates a simple computerised system based on the standard suite of Excel spreadsheets. All the asset system components have been identified and documented in the Asset Register Excel spreadsheet.</p> <p>Physical parameters for the assets are recorded in the "As constructed" drawings. The AMP provides a summary description of each installation within the system.</p> <p>The Asset Register was sighted. The current Asset Register includes provision for 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, pipes, treatment plant, pump station and effluent re-use.</p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<p>The assets' location is documented on the maps.</p> <p>The Asset Register does not include an assessment of the current condition of each asset component. Refer recommendation in item 3.1.</p>			
5.4	Operational costs are measured and monitored.	All asset expenditure is captured in the Shire's Financial Management Information System (FMIS). The historical cost information for the assets has not been transferred to the Asset Register but is in the FMIS.			
5.5	Staff receive training commensurate with their responsibilities.	<p>The AMP outlines the current human resources required to support the plan as follows:</p> <ul style="list-style-type: none"> ▪ CEO ▪ Environmental Health Officer (Deputy CEO) ▪ Works Manager ▪ Council Officers (2). <p>The Morawa wastewater scheme is a simple system, which requires a basic level of asset management to maintain it in an effective condition. The Deputy CEO is a very experienced officer with responsibility for the operation of the scheme.</p>			
6	ASSET MAINTENANCE	Process Rating	A	Performance Rating	2
6.1	Maintenance policies and procedures are documented and linked to service levels required.	<p>Practices covering maintenance are documented in the AMP.</p> <p>A simple maintenance schedule specifies maintenance tasks to be carried out and their frequency. It provides a checklist of maintenance tasks but is reliant on the knowledge and ability of the person performing the maintenance to carry them out satisfactorily.</p>			
6.2	Regular inspections are undertaken of asset performance and condition.	<p>Maintenance is regularly performed on assets in accordance with the Shire of Morawa Sewerage Scheme Planned Work Program.</p> <p>The pipe system seems well maintained but the wastewater treatment plant has only had basic maintenance. The ponds have not been de-sludged since they were commissioned in the late 1990's, resulting in quite a bit of sludge build-up, necessitating imminent cleaning of the lagoons.</p> <p>Recommendation:</p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<ul style="list-style-type: none"> ▪ Consider the need to de-sludge the wastewater treatment ponds prior to the winter season. <i>(Post Audit Implementation Plan item 2.3)</i> 			
6.3	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	A simple maintenance schedule specifies maintenance tasks to be carried out and their frequency. It provides a checklist of maintenance tasks but is reliant on the knowledge and ability of the person performing the maintenance to carry them out satisfactorily.			
6.4	Failures are analysed and operational/maintenance plans adjusted where necessary.	The AMP is reviewed annually as part of the Shire's annual budget preparation and any failures considered in the budgets and operational/maintenance plans.			
6.5	Risk management is applied to prioritise maintenance tasks.	A risk assessment was completed as part of the Asset Management Plan and the results are considered in prioritising operational and maintenance tasks.			
6.6	Maintenance costs are measured and monitored.	Maintenance costs are tracked through the FMIS and actual/budget reporting each month.			
7	ASSET MANAGEMENT INFORMATION SYSTEM	Process Rating	A	Performance Rating	1
7.1	Adequate system documentation for users and IT operators.	The Asset Management Plan and associated financial, asset management and risk management documented sighted.			
7.2	Input controls include appropriate verification and validation of data entered into the system.	Excel spreadsheets are used and data is checked when input.			
7.3	Logical security access controls appear adequate, such as passwords.	The AMP and the accompanying Excel spreadsheets are saved on the server. There is a password access to the Shire's system and the Deputy 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	The system is regularly backed up as part of the standard IT maintenance procedures on weekly basis.			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	adequate.				
7.6	Key computations related to licensee performance reporting are materially accurate.	<p>Some Excel spreadsheets contains formulas such as, for example:</p> <ul style="list-style-type: none"> - In the Risk Assessment spreadsheet, inherent risk is automatically assigned from the likelihood and overall consequence scores; - In the Annual Capital Investment Budget spreadsheet and in the Annual Operations & Maintenance Budget spreadsheet, the light blue cells are automatically calculated. <p>Apart from viewing the computations in the formula bar, no documentation of key computations has been provided to the Shires.</p> <p>Audit tested the accuracy of computations on a sample basis and confirmed the computations tested were accurate.</p>			
7.7	Management reports appear adequate for the licensee to monitor licence obligations.	<p>Apart from printing the Excel spreadsheets out, there is no ability to create management reports.</p> <p>However, the functionality of the suite of Excel spreadsheets provided by the Authority to Shires for asset management planning purposes appears to be adequate for the Shire's needs.</p>			
8	RISK MANAGEMENT	Process Rating	A	Performance Rating	2
8.1	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	The risk management policies and process are outlined in the Asset Management Plan.			
8.2	Risks are documented in a risk register and treatment plans are actioned and monitored.	<p>The Risk Register has been sighted.</p> <p>A Contingency Plan (overall management plans) and staff are available to deal rapidly with identified risks.</p> <p>Control measures are in place to deal with identified risks.</p> <p>Refer recommendation in 8.2.</p>			
8.3	The probability and consequences of asset failure are regularly assessed.	<p>The Risk Register has been sighted.</p> <p>The increasing demand on the scheme and the recent report on the wastewater treatment strategy that recommends capital upgrades indicate that the risk assessment needs to be reviewed and updated since it was</p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		updated in 2010. Recommendation: <ul style="list-style-type: none"> ▪ Update the risk assessment in the Asset Management Plan and the detailed risk register for any changes since 2010 and for the upgrade of the scheme that is currently being considered. <i>(Post Audit Implementation Plan item 2.4)</i>			
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.	Management strategies have been included in the AMP but these are over-reliant on individual knowledge. The Shire's Works Supervisor, Deputy CEO/EHO or the CEO are nominated in the AMP to respond to emergencies. Contingency plans need to be clear enough for someone not directly involved in the day to day operations to be able to successfully action the plan. The contingency plans have not been tested. Recommendations: <ul style="list-style-type: none"> ▪ Develop detailed contingency plans documenting the steps needed to deal with an unexpected failure of a system or process. ▪ Conduct testing of the contingency plans, such as annually. <i>(Post Audit Implementation Plan item 2.5)</i>			
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.	The Annual Capital Investment Budget Excel spreadsheet and the Annual Operations and Maintenance Budget Excel spreadsheet outline the financial objectives. The Annual budget process takes this and allocates resources to each activity. Sighted the Shire of Morawa - Capital Investment and Maintenance Budgets.			
10.2	The financial plan identifies the source of funds for capital expenditure and recurrent costs.	The Shire maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Morawa Sewerage Scheme. The balance of the reserve of \$63,000 at 30 June 2011 is insufficient to provide for the replacement of the sewerage scheme assets. The Asset Management Plan (2007) recommended an annuity of \$91,546 based on 2006 replacement costs. In addition, the recent report on the wastewater treatment strategy recommends the construction of a new primary pond, de-sludging of existing ponds and construction of a new overflow dam at an estimated cost of \$2.9m			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<p>(preliminary cost only and is stated as +/- 50%).</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ The replacement costs and expected life of assets need to be updated to current replacement costs and adequate funds set aside to provide for the future replacement of the assets and any asset upgrades. <p><i>(Post Audit Implementation Plan item 2.6)</i></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.</p> <p>Sighted the Shire of Morawa Annual Budget 2011/12.</p>			
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	<p>Operating expenditure on the scheme is covered by rates charged to ratepayers.</p>			
10.5	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	<p>Operating expenditure on the scheme is covered by rates charged to ratepayers. Capital expenditure for replacement or upgrades of assets is not adequately provided for, as noted in section 10.2 above.</p>			
10.6	Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.	<p>Variations in actual and budget income and expenses are identified in monthly reports.</p>			
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.	<p>The forecast lifecycle asset replacement program is included in the Annual Capital Investment Budget Excel spreadsheet.</p>			
11.2	The plan provides reasons for capital expenditure and timing of expenditure.	<p>The analysis assumes that assets will be replaced at the end of their standard economic life.</p>			
11.3	The capital expenditure plan is consistent with the asset life and	<p>The capital expenditure plan would appear to be consistent with the estimated replacement year. In reality some assets will fail earlier than the standard life and some assets will remain useful beyond the standard replacement</p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	condition identified in the asset management plan.	life. As noted in item 3.1, the condition of assets needs to be recorded in the Asset Register after each inspection. Also, as noted in 10.2, the replacement costs and remaining life of assets needs to be updated; and the source of funds needs to be established.			
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	<p>There has not been an adequate process to ensure that the capital expenditure plan is regularly updated and actioned. There have been no updates of the replacement costs or expected life or condition of the assets since the Asset Management Plan was developed in 2007.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ A process needs to be established to review and update the capital expenditure plan in the Asset Management Plan, such as annual review and update for any major changes. <p><i>(Post Audit Implementation Plan item 2.7)</i></p>			
12	REVIEW OF ASSET MANAGEMENT SYSTEM	Process Rating	B	Performance Rating	3
12.1	A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.	<p>During the audit period, the Shire has reviewed the Asset Management Plan (AMP) and made minor updates in June 2009.</p> <p>The audit confirmed with the Shire's Deputy CEO that apart from the updated AMP, there were no material changes made to the asset management system that would require notification to the Authority.</p> <p>The back page of the AMP contains "Document Status" table that outlines the revision number, the author, the reviewer, and who approved the AMP for issue and when. The table notes that the AMP was approved for issue on 31/01/07, however, on the front page the date of the AMP is 17 June 2009. The document status has not been updated. Moreover, the users of the AMP would benefit from a brief description of changes to the document from the previous version.</p> <p>The Monitoring and Review Procedures in the AMP suggest review of the AMP in five yearly intervals and the maintenance and capital investment plans shall be revised annually. The "Document Status" table does not provide for recording details about routine reviews of the document that do not escalate into the reissue of the AMP.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ The Asset Management Plan should be reviewed in more frequent intervals i.e. annually and reissued when changes occur. Accompanying spreadsheets should be updated during the year as required and revised 			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<p>annually.</p> <ul style="list-style-type: none"> ▪ Keep track of all reviews of the Asset Management Plan. Include a Document History section that includes the date of the review or update of the document, person who performed it and brief description of the changes to the document from the previous version (including annual review even if no changes and the five yearly re-issue). <p><i>(Post Audit Implementation Plan item 2.8)</i></p>
12.2	Independent reviews (e.g. internal audit) are performed of the asset management system.	An independent review is performed every 3 years as required by the licence.

4.4 Conclusion

The review of the Asset Management System has shown that the processes are generally adequate and that Shire staff are familiar with the requirements of the system and apply it in the day to day operational running of the system.

The review confirmed that out of 5 recommendations in the previous report dated February 2009, 2 have been completed and 3 are outstanding. The outstanding issues are awaiting the Shire's consideration of a new wastewater treatment strategy with major asset improvements. The issues are as follows:

- Management strategies for the contingency plans are in the Asset Management Plan but detailed contingency plans have not yet been documented or tested;
- The Capital Investment Program in the Asset Management Plan has not been updated since 2009; and
- The Asset Management Plan has not been reviewed since 2009.

The following new issues were noted in the review:

- The Asset Management Plan has not been updated for the current licence issued in May 2009;
- The condition of assets is not recorded in the Asset Register after inspections;
- The treatment ponds have a heavy build-up of sediment and may need de-sludging;
- The risk register has not been updated since 2010; and
- The existing financial reserve for the wastewater treatment scheme has insufficient funds for the future replacement of the scheme's assets;

The review recommended that the Shire:

- Updates the Asset Management Plan for the current licence from the Authority;
- Records in the Asset Register the condition assessment of each asset component after inspections;
- Considers the need to de-sludge the treatment ponds;
- Updates the risk assessment in the Asset Management Plan and the risk register;
- Completes the development of contingency plans and annual testing;
- Updates the replacement costs and expected life of the assets and set aside sufficient funds for their future replacement;
- Establishes a process to review the capital investment plan annually; and
- Reviews the Asset Management Plan more frequently, such as annually, and track changes to the Plan in the document history.

The key components of the infrastructure including the pump stations and treatment ponds were inspected. The pipe system and pumps appear well-maintained but the waste water treatment plant and ponds seem to have had basic maintenance only resulting in sediment build-up.

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

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

Appendix A: Post Audit Implementation Plan

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
1	Operational Audit				
1.1 (items 5, 6, 44, 48)	<p>Compliance Schedule</p> <p>The Compliance Schedule recommended in the previous audit has been set up in the Deputy CEO's Outlook calendar. It includes key activities and dates to meet obligations for asset management system reviews, reporting and audits required by the licence.</p> <p>Activities and due dates are recorded in the Deputy CEO's Outlook calendar but this is not accessible by other staff members.</p>	Low	Arrange for the compliance schedule of dates in the Deputy CEO's Outlook calendar to be accessible by other Shire officers (eg shared calendar in Outlook).	<i>Arrange for other staff to access the calendar in DCEO absence</i>	DCEO May 2012
1.2 (item 48)	<p>Information Reporting to the Authority</p> <p>In accordance with the Water Compliance Reporting Manual May 2011, the Shire is required to submit to the Authority:</p> <ul style="list-style-type: none"> Annual performance reports no later than 31 July for the reporting year ending 30 June; and Annual compliance reports by 31 August for the year ending 30 June. <p>The audit reviewed the Shire's Compliance and Performance Reports for the years ending 30 June 2009, 2010 and 2011 and the Authority and noted one exception:</p>	Medium	<p>a) Ensure that all future Performance and Compliance Reports are submitted to the Authority within the timeframes required.</p> <p>b) Create documentation explaining how to source the information for the annual performance and compliance reporting..</p>	<p><i>Schedule dates in Outlook calendar for completion of performance reports in May of each year for the next 3 years to align with the next audit</i></p> <p><i>Schedule dates in Outlook calendar for completion of compliance reports in July of each year for the next 3 years to align with the next audit</i></p>	DCEO May 2012

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	<ul style="list-style-type: none"> The Performance Report for the year ended 30 June 2011 was submitted in August 2011 (after the due date). <p>An explanation of the source of information for the performance and compliance reporting should also be documented.</p> <p>The timely submission of reports is covered by action 1.1 above.</p>				
2	Asset Management System Review				
2.1	<p>Asset Disposal</p> <p>Under-utilised and under-performing assets should be identified as part of a regular systematic review process.</p> <p>An Asset Register was sighted.</p> <p>However, the Asset Register is not updated to accurately reflect the condition of individual components of the system.</p>	Medium	Record in the Asset Register, the condition of each asset component of the scheme based on inspections carried out.	<i>Update asset register to reflect auditors comments</i>	<i>DCEO November 2012</i>
2.2	<p>Environmental Analysis</p> <p>Section 2.3 of the AMP outlines the legislative requirements. The licence requirements refer to the previous licence from the Authority (IL/24 Version 4) and need to be updated for the current licence issued in May 2009.</p>	Medium	Update the Asset Management Plan for the requirements of the current operating licence (May 2009) from the Authority.	<i>Asset Management plan to be updated when WWTP upgrades have been completed</i>	<i>DCEO August 2012</i>

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
2.3	<p>Asset Maintenance</p> <p>Maintenance is regularly performed on assets in accordance with the Shire of Morawa Sewerage Scheme Planned Work Program.</p> <p>The pipe system seems well maintained but the wastewater treatment plant has only had basic maintenance. The ponds have not been de-sludged since they were commissioned in the late 1990's, resulting in quite a bit of sludge build-up, necessitating imminent cleaning of the lagoons.</p>	Medium	Consider the need to de-sludge the wastewater treatment ponds prior to the winter season.	<i>Source scope of works to de-sludge the wastewater treatment ponds prior to the winter season.</i>	DCEO June 2012
2.4	<p>Risk Assessment</p> <p>The risk management policies, process and management strategies are described in the Asset Management Plan.</p> <p>The increasing demand on the scheme and the recent report on the wastewater treatment strategy that recommends capital upgrades indicate that the risk assessment needs to be reviewed and updated since it was updated in 2010.</p>	Medium	Update the risk assessment in the Asset Management Plan and the detailed risk register for any changes since 2010 and for the upgrade of the scheme that is currently being considered.	<i>Update the risk assessment in the Asset Management Plan and the detailed risk register for any changes since 2010 and for the upgrade of the scheme when scope of works completed</i>	DCEO May 2013
2.5	<p>Contingency Plans</p> <p>Contingency plans should be documented, understood and tested to confirm their operability and to cover higher risks.</p> <p>Management strategies have been included in the</p>	High	a) Develop detailed contingency plans documenting the steps needed to deal with an unexpected failure of a system or process.	<i>Will detail contingency plans documenting the steps needed to deal with an unexpected failure of a system or process.</i>	DCEO September 2012

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	<p>AMP but these are over-reliant on individual knowledge. The Shire's Works Supervisor, Deputy CEO/EHO or the CEO are nominated in the AMP to respond to emergencies.</p> <p>Contingency plans need to be clear enough for someone not directly involved in the day to day operations to be able to successfully action the plan.</p> <p>The contingency plans have not been tested.</p>		<p>b) Conduct testing of the contingency plans, such as annually.</p>	<p><i>Testing of the contingency plans, such as annually, to be arranged with the Principal Works Supervisor</i></p>	
2.6	<p>Financial Planning</p> <p>The Shire maintains a Wastewater Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Morawa Sewerage Scheme. The balance of the reserve of \$63,000 at 30 June 2011 is insufficient to provide for the replacement of the sewerage scheme assets.</p> <p>The Asset Management Plan (2007) recommended an annuity of \$91,546 based on 2006 replacement value of \$2.7 million. In addition, the recent report on the wastewater treatment strategy recommends the construction of a new primary pond, desludging of existing ponds and construction of a new overflow dam at an estimated cost of \$2.9m (preliminary cost only and is stated as +/- 50%).</p>	High	<p>The replacement costs and expected life of assets need to be updated to current replacement costs and adequate funds set aside to provide for the future replacement of the assets and any asset upgrades.</p>	<p><i>Recommend to Council the need to continue with annual annuity of \$91,546 to assist with asset replacement programme.</i></p>	<p><i>DCEO June 2012</i></p>
2.7	<p>Capital Expenditure Planning</p>	High	<p>A process needs to be established to review and update the capital</p>	<p><i>Continue with plans to source funding through</i></p>	<p><i>DCEO</i></p>

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	<p>There should be an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.</p> <p>There has not been an adequate process to ensure that the capital expenditure plan is regularly updated and actioned. There have been no updates of the replacement costs or expected life or condition of the assets since the Asset Management Plan was developed in 2007.</p>		<p>expenditure plan in the Asset Management Plan, such as annual review and update for any major changes.</p>	<p><i>Super-town programme to provide capital expenditure for the replacement costs or expected life or condition of the assets since the Asset Management Plan was developed in 2007.</i></p>	<p><i>August 2012</i></p>
2.8	<p>Review of Asset Management System</p> <p>During the audit period, the Shire has reviewed the Asset Management Plan (AMP) and made minor updates in June 2009.</p> <p>The audit confirmed with the Shire's Deputy CEO that apart from the updated AMP, there were no material changes made to the asset management system that would require notification to the Authority.</p> <p>The back page of the AMP contains "Document Status" table that outlines the revision number, the author, the reviewer, and who approved the AMP for issue and when. The table notes that the AMP was approved for issue on 31/01/07, however, on the front page the date of the AMP is 17 June 2009. The document status has not been updated. Moreover, the users of the AMP would benefit from a brief description of changes to the document</p>	Medium	<p>a) The Asset Management Plan should be reviewed in more frequent intervals i.e. annually and reissued when changes occur. Accompanying spreadsheets should be updated during the year as required and revised annually.</p> <p>b) Keep track of all reviews of the Asset Management Plan. Include a Document History section that includes the date of the review or update of the document, person who performed it and brief description of the changes to the document from the previous version (including annual review even if no changes and the five yearly re-issue).</p>	<p><i>Initiate Asset Management Plan reviews in more frequent intervals i.e. annually and reissued when changes occur. Accompanying spread sheets should be updated during the year as required and revised annually on completion of upgrades.</i></p>	<p><i>DCEO December 2012</i></p>

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	<p>from the previous version.</p> <p>The Monitoring and Review Procedures in the AMP suggest review of the AMP in five yearly intervals and the maintenance and capital investment plans shall be revised annually. The "Document Status" table does not provide for recording details about routine reviews of the document that do not escalate into the reissue of the AMP.</p>				

END OF REPORT