



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

Operational Audit and
Asset Management
System Review

Final Report

April 2012

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Executive Summary

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

The Wickepin sewerage scheme was originally constructed during 1982. The Effluent Reuse Scheme was constructed in 1999 and upgraded in 2007. The scheme is operated by the Shire of Wickepin and includes a gravity reticulation system, a pump station and rising main, a treatment plant (Waste stabilisation ponds) and an effluent re-use scheme. The scheme provides sewerage services to the town's population of approximately 350 people. The scheme collects and treats approximately 25,000m³ of residential and commercial liquid wastes and re-uses treated and disinfected effluent on spray irrigation of the town's Bowling Greens.

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

- Performance and compliance reports are not always submitted by the due dates, and late reports are not being included as non-compliances in the compliance reporting to the Authority.

The audit reviewed the action taken on previous audit recommendations in the audit report issued in August 2009 and confirmed that all 5 recommendations had been implemented. This demonstrates that there has been an improvement in compliance with the licence conditions.

Two new issues were identified in this audit as follows:

- Performance reports for 2008/09 and 2010/11 and the compliance report for 2009/10 were submitted after the due dates (within the following month or two) and the non-compliances were omitted from the following years' compliance reports; and
- There is no Compliance Schedule as a reminder for due dates and obligations for review, notifications and reporting under the licence obligations.

The audit recommended that the Shire:

- Implement a Compliance Schedule with the dates, responsibilities and actions for the various reviews and reporting required by the licence;
- Ensure that performance and compliance reports are submitted to the Authority by the due dates and that compliance reports include all non-compliances; and
- Update the Monitoring and Review Procedures section of the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within 10 business days.

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

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

ASSET MANAGEMENT SYSTEM REVIEW

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

The review confirmed that out of 37 recommendations in the previous review report dated August 2009, 36 have been implemented and 1 is outstanding. A new Asset Management Plan and supporting database system have been implemented.

The outstanding issue is:

- There are no detailed contingency plans for failure of assets or risk events such as overflow of the ponds; and no evidence of testing.

There has been some concern with the condition of the banks of the oxidation ponds. Anecdotal evidence from Shire staff and locals suggest the banks have been in their current condition for at least the last ten years, with no noticeable further deterioration. As the banks appear stable at present, any remediation now may in fact reduce this stability. The oxidation ponds are inspected at least annually for erosion which is considered adequate to monitor the condition of the ponds.

One new issue was noted as follows:

- The existing specified area rates charged for the scheme are insufficient to recover the operating and maintenance costs of the scheme as estimated in the Asset Management Plan;

The review recommended that the Shire:

- Develop detailed contingency plans and review/test these on an annual basis;
- Give further consideration to recovering the full cost of operating and maintaining the sewerage scheme; and
- A minor improvement is to include a summary of changes in the document history in the Asset Management Plan.

The review of the asset management system shows that the system is very well maintained and processes are well-defined and monitored in practice.

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

POST AUDIT IMPLEMENTATION PLAN

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

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

Respective Responsibilities

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

Limitations

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

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

Auditor's Unqualified Opinion

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

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

QUANTUM MANAGEMENT CONSULTING & ASSURANCE



GEOFF WHITE
DIRECTOR

PERTH, WA
3 MAY 2012

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

Operational Audit and
Asset Management
System Review
- Introduction

Final Report

April 2012

1. Background

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

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

The Wickepin sewerage scheme was originally constructed during 1982. The Effluent Reuse Scheme was constructed in 1999 and upgraded in 2007. The scheme is operated by the Shire of Wickepin and includes a gravity reticulation system, a pump station and rising main, a treatment plant (Waste stabilisation ponds) and an effluent re-use scheme. The scheme provides sewerage services to the town's population of approximately 350 people. The scheme collects and treats approximately 25,000m³ of residential and commercial liquid wastes and re-uses treated and disinfected effluent on spray irrigation of the town's Bowling Greens.

The scheme consists of 4.174 km of gravity mains and 0.728 km of pressure main. The primary, secondary and tertiary (effluent reuse storage) treatment ponds have a storage capacity of 8,410m³ and the effluent tanks have a capacity of 60m³.

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

- Allan Ramsay – Environmental Health Officer - Building Surveyor (EHO)

2.4 Key Documents Examined

- Shire of Wickepin Water Services Operating Licence (Operating Licence 27 Version OL2) dated 15 May 2009
- Audit Report - Shire of Wickepin Water Licence Operational Audit and Asset Management Review dated August 2009
- Post Audit Implementation Plan - Shire of Wickepin Water Licence Operational Audit and Asset Management Review dated August 2009
- Shire of Wickepin Customer Service Charter for Wastewater Services (revised August 2009)
- Shire of Wickepin Annual Report for the year ending 30 June 2010
- Shire of Wickepin Asset Management Plan Sewerage and Effluent Re-use Scheme February 2011
- 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
- Wickepin Operating Area (Sewerage and Non-potable water supply services) Plan No. OWR-OA-041
- Shire of Wickepin 2011/2012 Budget
- Forward Capital Works Plan 2010-11 to 2014-15
- Shire of Wickepin Waste Water Assets Management System – Asset Register spreadsheets
- Shire of Wickepin Waste Water Assets Management System – Asset Condition and Performance spreadsheet
- Shire of Wickepin Waste Water Assets Management System – Risk Assessment spreadsheet
- Shire of Wickepin Waste Water Assets Management System – Financial Management spreadsheets
- Shire of Wickepin Waste Water Assets Management System – Maintenance Management spreadsheets.

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	10
Andrea Stefkova – Assistant Manager	25
Steve Park – Senior Engineer (David Wills and Associates)	10
TOTAL	45

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

Operational Audit –
Detailed Report

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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	Strong						✓		
3	Asset Management System	Cl. 17.1	2	C	Medium	Strong						✓		
4	Notify changes to Asset Management System	Cl. 17.2	1	C	Low	Strong						✓		
5	Review of Asset Management System	Cl. 17.3	1	C	Low	Moderate				✓				
6	Operational Audit	Cl. 16.1	1	C	Low	Moderate				✓				
7	Comply with Performance Standards (emergency response, complaints, continuity and overflows)	Cl. 20.1	3	B	High	Strong						✓		
WATER COORDINATION REGULATIONS 1996														
8	Payment of fees	Cl. 4.1	1	C	Low	Strong								✓
OTHER LICENCE CONDITIONS														
9	Customer complaints process	Cl. 6.1	2	B	Medium	Strong						✓		
10	<i>N/A to local government</i>	Sch.3, Cl. 3.1	N/A	N/A	N/A	N/A							✓	
11	Customer complaints resolution	Sch.3, Cl. 3.8	2	B	Medium	Strong								✓
12	Staff trained to respond to complaints	Sch.3 Cl.3.2(b)	N/A	N/A	N/A	N/A							✓	
13	Staff authorised to make decisions on complaints	Sch.3 Cl.3.9(b)	1	C	Low	Strong						✓		
14	Complaints system	Sch.3 Cl.3.2(d)	2	B	Medium	Strong						✓		
15	<i>N/A to local government</i>	Sch.3 Cl.3.4	N/A	N/A	N/A	N/A							✓	
16	Option to refer complaint to Dept. of Water	Sch.3 Cl.3.10	2	B	Medium	Strong								✓
17	Must co-operate with Dept. of Water	Sch.3 Cl.3.6	2	C	Medium	Strong								✓

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

No. ¹	Operating Licence Compliance Element	Operating Licence reference (Cl.=clause, Sch.=schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (Low, Medium, High)	Adequacy of existing controls (S=strong, M=moderate, W=weak)	Compliance Rating (1=significantly non-compliant, 2=non-compliant, 3=compliant, 4=compliant, 5=compliant, N/A=not applicable, N/R=not rated)								
							1	2	3	4	5	N/A	N/R		
18	Provide details to Dept. of Water	Sch.3 Cl.3.7	2	C	Medium	Strong									✓
19	Customer Service Charter	Cl.7.1	1	C	Medium	Strong						✓			
20	Availability of Customer Service Charter	Sch.3 Cl. 2.5	2	B	Medium	Strong						✓			
21	Charter reviewed every 3 years	Sch.3 Cl. 2.6	2	C	Low	Moderate				✓					
22	Services consistent with Charter	Sch.3 Cl. 2.7	2	C	Medium	Strong					✓				
23	Customer consultation process	Cl. 8	2	C	Medium	Strong					✓				
24	Customer Council or at least two other forums	Sch.3 Cl. 4.1	2	C	Medium	Strong					✓				
25	Consult the Authority on type and extent of customer consultation	Sch.3 Cl. 4.2	2	C	Medium	Strong					✓				
26	If requested, establish other forums	Sch.3 Cl. 4.3	2	C	Medium	Strong									✓
27	<i>Not applicable (only applies to irrigation licences)</i>	Sch.3 Cl. 4.4	N/A	N/A	N/A	N/A							✓		
28	Customer consultation prior to major changes	Sch.3 Cl. 4.5	2	B	Medium	Strong									✓
29	Council public question time	Sch. 3 Cl. 4.6	2	B	Medium	Strong					✓				
30	Modified customer agreements	Sch. 3 Cl. 5.1	2	B	Medium	Strong									✓
31	Annual report of non-standard agreements	Sch. 3 Cl. 5.4	2	B	Medium	Strong									✓
32	Customer survey, if directed by Authority	Sch. 3 Cl. 6	2	C	Medium	Strong									✓
33 to 40	<i>Not applicable (only applies to potable water licences)</i>	Cl. 9	N/A	N/A	N/A	N/A							✓		
41	Compliance with accounting standards	Cl. 15.1	1	C	Medium	Strong					✓				
42	Compliance with Operational Audit Guidelines	Cl. 16.2	1	C	Medium	Strong					✓				
43	Initial notification of asset management system (AMS) on licence commencement	Cl. 17.1	2	C	Low	Strong					✓				
44	Notify Authority of changes to AMS within 10 business days	Cl. 17.2	1	C	Low	Moderate				✓					
45	Compliance with Asset Management Review guidelines	Cl. 17.4	2	B	Medium	Strong					✓				
46	Report on external administration or significant financial or technical changes	Cl. 18.1	3	C	High	Strong									✓
47	Provide any information requested by Authority	Cl. 21.1	1	C	Medium	Moderate					✓				
48	Information reporting requirements	Cl. 21.2	2	B	Medium	Weak		✓							
49	Publish information directed by Authority	Cl. 22.2 - .4	2	B	Low	Strong									✓

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	
-	Written conditions for connections	Sch.6 Cl. 2.1	2	B	Medium	Strong						✓		
-	Services available for connection	Sch.6 Cl. 2.2	2	B	Medium	Strong						✓		
-	Agreement to discontinue services	Sch.6 Cl. 2.3	2	B	Medium	Strong								✓

3.2 Previous Audit Recommendations

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

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
1.1 (item 3)	Asset Management System The Licensee must have an Asset Management System in respect to the licensed activity.	Some components of the required processes are in place and contained in the Asset Management Plan. The general requirements for maintaining the system are documented in the Asset management Plan (March 2004). Routine and planned maintenance tasks are performed without documenting anything.	2	The Shire to revise the AMP and develop an AMS containing all the processes. The Shire to revise and expand the AMP and document the AMS processes and procedures. The Shire needs to document operations, repairs and maintenance activities.	<i>EHO</i> <i>31 December 2010</i>	Asset Management Information System (AMIS) now installed and populated. AMP complete. AMIS maintenance Planning module complete and includes detailed maintenance plans for all assets.	COMPLETED
1.2 (item 7)	Service and performance Standards The licensee must comply with the performance standards set out in Schedule 4.	In order, but no records kept to demonstrate compliance. Emergency and after hours phone services are established and published in local phone book, and Customer Charter, but an emergency response policy and procedures have not been prepared.	2	The Shire to keep record of quality and performance. The Shire to develop, document and implement a policy in order to adhere to the one hour rule.	<i>EHO</i> <i>31 December 2010</i>	AMIS condition and performance module includes quality and performance recording. Data will be loaded from the manual records. After hours emergency telephone system is in place.	COMPLETED
1.3	Customer Service Charter The licensee must make the	Customers not notified of the Customer Service	3	The Shire to notify customer annually of	<i>EHO</i> <i>Immediately</i>	Customers advised in rates notices.	COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
(item 20)	Customer Service Charter available to its customers in the three ways detailed in their licence.	Charter on an annual basis.		the CSC.		Copies of Customer service Charter are available at reception area.	
1.4 (item 14)	Customer Complaints The licensee must provide an appropriate system to monitor and record the number, nature of and outcomes to complaints.	Complaints are entered in a Log Book, but the outcome is not documented.	3	The Shire to create a system for recording the outcome and resolution of complaints.	<i>EHO</i> <i>31 December 2010</i>	Customer complaints module added to the AMIS system (additional module added to the original software suite).	COMPLETED
1.5 (item 11)	Customer Complaints 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.	The complaint resolution policy and processes have not been documented.	2	The Shire to document complaint resolution policies and procedures.	<i>EHO</i> <i>31 December 2010</i>	Included in the AMP.	COMPLETED

3.3 Audit Results and Recommendations

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

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

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

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)
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 response system such that customers need only make one call and they are advised of the nature and timing of action within one hour (Target is 90% of calls). • 90% of complaints resolved within 15 business days. • Fewer than 40 blockages per 100km of sewer main per year • 90% of connected properties experience no sewerage overflows per year 	2	2	The audit reviewed the Shire's Performance Reports for the years ended 30 June 2009, 2010 and 2011 and noted that during the audit period the Shire has complied with all performance standards.	5
LICENCE COMPLIANCE REQUIREMENTS – WATER COORDINATION REGULATION 1996							
8	Water Services Coordination	Clause 4.1	The licensee must pay the applicable fees in accordance with the regulations.	N/R	5	The licence expires on 29 April 2021. The application for renewal of the licence is to be accompanied by the prescribed fee.	N/R

No ²	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
	Regulations Section 2						
LICENCE COMPLIANCE REQUIREMENTS – LICENCE CONDITIONS							
9	N/A	Clause 6.1	The licensee must establish a customer complaints process as set out in Schedule 3.	NR	4	The Customer Service Charter outlines the process in regards to enquiries, suggestions, complaints and disputes.	5
10	N/A	Schedule 3 Clause 3.1	The licensee must resolve customer complaints within 15 business days of the receipt of complaint.	NR	N/A	Shire of Wickepin is a Local Government Agency so this is not applicable.	N/A
11	N/A	Schedule 3 Clause 3.8	The licensee must resolve customer complaints within 15 business days of the receipt of complaint or for matters to be considered by a Local Government Council within 5 business days after the first ordinary Council meeting following the 15 business day period.	NR	4	The audit confirmed with the Shire's EHO that there were no sewerage related customer complaints received by the Shire over the audit period.	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 Wickepin is a Local Government Agency so this is not applicable.	N/A
13	N/A	Schedule 3 Clause	The licensee must provide one trained staff member who is	NR	5	The Shire's CEO is authorised to make necessary decisions to settle the customer complaints or disputes. The Shire's	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)
		3.9(b)	authorised or has access to another officer who is authorised to make necessary decisions to respond to complaints.			EHO has been provided with 'dealing with difficult people' training.	
14	N/A	Schedule 3 Clause 3.2(d)	The licensee must provide an appropriate system to monitor and record the number, nature of and outcomes to complaints.	NR	3	The audit confirmed with the Shire's EHO that there were no sewerage related customer complaints received by the Shire over the audit period. A customer complaints module was added to the AMIS system (additional module added to the original software suite).	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 Wickepin 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	3	The audit confirmed with the Shire's EHO that there were no sewerage related customer complaints received by the Shire over the audit period. The Customer Service Charter outlines the process in regards to enquiries, suggestions, complaints and disputes.	N/R
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	NR	3	The audit confirmed with the Shire's EHO that during the audit period, there were no such requests received from the Department of Water.	N/R

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)
			complaint.				
18	N/A	Schedule 3 Clause 3.7	The licensee must, on request, provide complaints details to the Department of Water.	NR	3	The audit confirmed with the Shire's EHO that during the audit period, there were no such requests received from the Department of Water.	N/R
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 Wickepin Customer Service Charter was approved by the Authority on 10 September 2008. The amendments to the Customer Service Charter were approved by the Authority on 26 October 2009.	5
20	N/A	Schedule 3 Clause 2.5	The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence.	2	4	The audit confirmed through sighting that the Customer Service Charter is prominently displayed at the Shire's reception, and through discussion with the Shire's EHO that the Charter is provided upon request and at no charge to customers. In addition, the audit confirmed that the Charter is available to customers on the website. The Shire's EHO advised that customers are also advised of the availability of the Charter in the Rate Notices.	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 May 2004. The Shire originally submitted its charter to the Authority for approval on 2 August 2007. The Authority provided feedback to the Shire regarding the charter which resulted in the Shire submitting a revised version of the charter on 2 April 2008. The Authority required further amendments to the revised version. The Authority agreed to extend the due date for submission of the charter to 15 August 2008. The Shire submitted the final version of its	4

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
						<p>charter on 22 August 2008.</p> <p>The revised Customer Service Charter was approved by the Authority on 10 September 2008. Although the Authority has approved the charter, the Authority acknowledged that the timeframe within which the Shire has submitted its charter has been unduly long.</p> <p>Amendments to the Customer Service Charter were approved by the Authority on 26 October 2009. The Authority has provided a 12 months extension to the deadline for Shire's Customer Service Charter review. The next review is due on 10 September 2012.</p> <p>However, there is no process in place to ensure that the timeframes would be met.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ Implement a Compliance Schedule with the Customer Service Charter review dates included as part of the schedule of events to ensure regulatory timeframes are met. <p><i>(Post Audit Implementation Plan item 1.2)</i></p>	
22	N/A	Schedule 3 Clause 2.7	The licensee must provide its services consistent with its Customer Service Charter.	2	4	<p>The audit confirmed that the Shire provide its services consistent with its Customer Service Charter.</p> <p>The Charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to the Shire's customers.</p>	5

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)
23	N/A	Clause 8	The licensee must establish customer consultation processes as set out in Schedule 3.	NR	4	The audit confirmed with the Shire's EHO that an adequate customer consultation process has been established.	5
24	N/A	Schedule 3 Clause 4.1	The licensee may either establish a Customer Council or institute at least 2 of the following: establish a regular meeting; publish a newsletter or run other public forums, concerning the licensed activities.	NR	4	The audit confirmed with the Shire's EHO that the Shire hold regular electors meetings and articles are being placed in the local newspaper. The Shire also allows its customers to raise matters of concern regarding the sewerage system at public question time during the Wickepin Council meetings.	5
25	N/A	Schedule 3 Clause 4.2	The licensee must consult the Authority on the type and extent of consultation to be adopted by the licensee.	NR	4	The Shire's Customer Service Charter states that community involvement in the Shire's service planning and decision making processes will be sought through formal requests for customer feedback and through information published in the local newspaper. The Shire will notify customers of any system change that may result in significant variation in its service levels. The Shire will publish information on matters relating to its wastewater services and on complaints handling. The revised Shire of Wickepin Customer Service Charter was approved by the Authority on 10 September 2008. The Shire has advised that it twice placed an advertisement in the local newspaper which sought public comment on the charter. There were no responses received from the public or ratepayers.	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 EHO that during the audit period, there were no such requests received from the Authority.	N/R
27	N/A	Schedule 3 Clause 4.4	The licensee must hold season opening and closing public meetings, and the agenda must cover at least season opening and closing conditions, tariffs and scheme operation.	NR	N/A	Not applicable.	N/A
28	N/A	Schedule 3 Clause 4.5	The licensee must prior to making a major change to the operation of a water service hold a public meeting and seek written submissions.	NR	4	The audit confirmed with the Shire's EHO that during the audit period, the Shire has made no significant changes to the operation of the water service.	N/R
29	N/A	Schedule 3 Clause 4.6	The licensee must allow customers to raise matters of concern regarding Council public question time in accordance with the <i>Local Government Act 1995</i> .	NR	4	The audit confirmed with the Shire's EHO that the Shire allows its customers to raise matters of concern regarding the sewerage system at public question time during the Wickepin Council meetings.	5
30	N/A	Schedule 3	The licensee may enter into an agreement with a customer to	NR	4	The audit confirmed with the Shire's EHO that no such	N/R

No ²	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
		Clause 5.1	provide water services that may exclude, modify or restrict the terms of the licence.			agreements have been entered into over the audit period.	
31	N/A	Schedule 3 Clause 5.4	The licensee must publish a report annually that includes the specified information.	NR	3	The audit confirmed with the Shire's EHO that no agreements that may exclude, modify or restrict the terms of the licence have been entered into over the audit period.	N/R
32	N/A	Schedule 3 Clause 6	The licensee must conduct a customer survey if directed by the Authority.	NR	4	The audit confirmed with the Shire's EHO that during the audit period, there were no such directions received from the Authority.	N/R
33 to 40	N/A	Clause 9	Memorandum of Understanding	2	N/A	Clause 9 is not applicable.	N/A
41	N/A	Clause 15.1	The licensee must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.	NR	4	Each year the Shire of Wickepin prepares a comprehensive Annual Report for the whole of the Shire, which is independently audited by a certified auditor. The audit sighted the Shire's Annual Report for the year ended 30 th June 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 29 November 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	<p>The audit confirmed with the Shire's EHO that during the audit period, the Shire has reviewed the overall Asset Management System in total, installed and populated new Asset Management Information System (AMIS) and introduced a new Asset Management Plan (AMP). The Authority was notified of progress in Post Audit Implementation Plan updates.</p> <p>Apart from the new AMIS and AMP, there were no material changes made to the asset management system that would require notification to the Authority.</p> <p>However, there is no process in place to ensure that the Shire would notify the Authority of any changes to its asset management system within 10 business days from the date of change.</p> <p>The new AMP was issued in February 2011. Although, the Legislative Requirements section of the AMP refers to the requirement to notify any changes to the system to the Authority, the required timeframe is not specified.</p>	4

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
						<p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Update the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within 10 business days. ▪ Implement a Compliance Schedule and note the required timeframe of 10 business days for notification of asset management system changes to the Authority. <p><i>(Post Audit Implementation Plan item 1.3)</i></p>	
45	Water Services Licensing Act Section 36	Clause 17.4	The licensee must comply and require the licensee's expert to comply with the Authority's Standard Guidelines dealing with the asset management system review including, minimum requirements, regarding appointment of the expert reviewer, scope of review, conduct of the review and reporting of the outcomes of the review.	NR	4	The Audit Plan - Operational Audit and Asset Management System Review dated 28 November 2011 stipulates compliance requirements on auditors.	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	2	5	No significant changes.	N/R

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			10 business days.				
47	N/A	Clause 21.1	The licensee must provide any information the Authority may require in connection with its functions under the Act.	2	3	In addition to the reporting requirements under the Water Compliance Reporting Manual, the Shire provided updates on the post-audit implementation plan in respect of the 2008 performance audit and asset management system review to the Authority.	5
48	N/A	Clause 21.2	The licensee must comply with the information reporting requirements as set out in Schedule 5.	2	3	<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 Shires Compliance and Performance Reports for the years ending 30 June 2009, 2010 and 2011 and relevant correspondence between the Shire and the Authority and noted the following exceptions:</p> <ul style="list-style-type: none"> Performance Report for the year ended 30 June 2009 was submitted after the due date (in August 2009). The Authority acknowledged this non-compliance but this was omitted from the Compliance Report for 2010; Compliance Report for the year ended 30 June 2010 did not include the above non-compliance and was submitted after the due date (in September 2010); 	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)
						<ul style="list-style-type: none"> • Compliance Report for the year ended 30 June 2011 did not include the late 2010 Compliance Report as a non-compliance; and • Performance Report for the year ended 30 June 2011 was submitted after the due date (in August 2011). The Authority acknowledged this non-compliance and it needs to be recorded in the Compliance Report for the year ending 30 June 2012. <p>There is no procedure in place to ensure the timely submission of reports. The submission of reports is purely reactionary to the reminders received from the Authority.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Implement a Compliance Schedule with timeframes for annual Performance and Compliance Reports submission as part of the schedule of events. The Compliance Schedule will also assist replacement staff to meet regulatory timeframes if the EHO is on leave. ▪ Ensure that all future Performance Reports are submitted to the Authority within the timeframes required. ▪ Keep track of all non-compliances with the licence obligations so that future Compliance Reports are complete. <p><i>(Post Audit Implementation Plan item 1.4)</i></p>	

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)
49	N/A	Clause 22.2 and 22.4	The licensee must publish relevant information directed to do so by the Authority within the specified timeframes.	NR	5	The audit confirmed with the Shire's EHO that during the audit period, no such directions were received from the Authority.	N/R
-	N/A	Schedule 6 Clause 2.1	The licensee must set out in writing its conditions for connection and make it available to people enquiring or applying for connection.	NR	4	The audit confirmed that the Shire provide its services consistent with its Customer Service Charter. The charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to the Shire's customers.	5
-	N/A	Schedule 6 Clause 2.2	The licensee must ensure that its services are available for connection on any land in the Operating Area subject to compliance with the Shire's conditions.	NR	4	The audit confirmed with the Shire's EHO that the services are available for connection on any land in the Operating Area subject to compliance with the Shire's conditions. The audit confirmed that the Shire provide its services consistent with its Customer Service Charter. The charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to the Shire's customers.	5
-	N/A	Schedule 6 Clause 2.3	The licensee may with the written agreement of the property owner discontinue a service where it is not commercially viable.	NR	4	The audit confirmed with the Shire's EHO that over the audit period there was no discontinuation of the service due to the service not being commercially viable.	N/R

3.4 Recommended Changes to the Licence

No changes to the licence are considered necessary.

3.5 Conclusion

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

- Performance and compliance reports are not always submitted by the due dates, and late reports are not being included as non-compliances in the compliance reporting to the Authority.

The audit reviewed the action taken on previous audit recommendations in the audit report issued in August 2009 and confirmed that all 5 recommendations had been implemented. This demonstrates that there has been an improvement in compliance with the licence conditions.

Two new issues were identified in this audit as follows:

- Performance reports for 2008/09 and 2010/11 and the compliance report for 2009/10 were submitted after the due dates (within the following month or two) and the non-compliances were omitted from the following years' compliance reports; and
- There is no Compliance Schedule as a reminder for due dates and obligations for review, notifications and reporting under the licence obligations.

The audit recommended that the Shire:

- Implement a Compliance Schedule with the dates, responsibilities and actions for the various reviews and reporting required by the licence;
- Ensure that performance and compliance reports are submitted to the Authority by the due dates and that compliance reports include all non-compliances; and
- Update the Monitoring and Review Procedures section of the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within 10 business days.

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

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

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

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

Asset Management
System Review –
Detailed Report

Final Report

April 2012

4. Asset Management System Review

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

This included evaluating the key processes of:

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

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

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

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

4.1 Summary of Asset Management System Ratings

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

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

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

4.2 Previous Review Recommendations

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

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
2.1	Asset Planning Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	Asset planning not addressed in the AMP. Informally performed.	1	Create and implement planning process that reflects the needs of the licence stakeholders. Include planning process in AMP.	<i>EHO</i> <i>31 December 2010</i>	Included in revised Asset Management Plan (Feb. 2011).	COMPLETED
2.2	Asset Planning Non-asset options (e.g. demand management) are considered.	Non-asset options like demand management not addressed in the AMP.	1	Identify non- asset options to manage demand and include in AMP.	<i>EHO</i> <i>31 December 2010</i>	Included in revised Asset Management Plan (Feb. 2011).	COMPLETED
2.3	Asset Planning Lifecycle costs of owning and operating assets are assessed	Lifecycle costing not in AMP.	1	Identify and document asset objectives and lifecycle costs for all assets and include in AMP.	<i>EHO</i> <i>31 December 2010</i>	Included in revised Asset Management Plan (Feb. 2011).	COMPLETED
2.4	Asset Planning Funding options are evaluated.	Grants and income addressed in AMP.	1	Critically analyse funding options and identify any more advantageous sources and include in AMP.	<i>EHO</i> <i>31 December 2010</i>	Included in revised Asset Management Plan (Feb. 2011).	COMPLETED
2.5	Asset Planning	Costs to be analysed and	1	Critically analyse costs,	<i>EHO</i>	Included in revised	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	Costs are justified and cost drivers identified.	addressed in AMP.		identify drivers and include in AMP.	31 December 2010	Asset Management Plan (Feb. 2011).	
2.6	Asset Planning Likelihood and consequences of asset failure are predicted.	Not addressed in the AMP.	1	Identify and document likelihood and consequences of asset failure in AMP.	EHO 31 December 2010	Included in revised Asset Management Plan (Feb. 2011).	COMPLETED
2.7	Asset Planning Plans are regularly reviewed and updated.	The AMP was reviewed in 2006, but now contained out of date information which needs to be updated and expanded by the Shire.	2	Update and expand the AMP and review on an annual basis.	EHO 31 December 2010	Included in revised Asset Management Plan (Feb. 2011).	COMPLETED
2.8	Asset Creation/ Acquisition Evaluations include all lifecycle costs.	An evaluation of lifecycle costs is not currently considered. Shire to perform an analysis of the life-cycle costs of the infrastructure components.	1	Identify and document asset objectives and lifecycle costs for all assets and include in AMP.	EHO 31 December 2010	Included in revised Asset Management Plan (Feb. 2011).	COMPLETED
2.9	Asset Creation/ Acquisition Commissioning tests are documented And complete	Has not been required for projects. Tests results have not been documented for replacement assets. The AMP does not contain details of the commissioning strategy or requirements.	2	Document commissioning tests for all replacement assets and systems. Develop a commissioning strategy and include in the revised AMP.	EHO 31 December 2010	Only replacement of pump stations is planned in the next 5 years. Commissioning strategy not required.	COMPLETED
2.10	Asset Creation/ Acquisition Ongoing legal/enviro	Part of Shire's requirements, policies and strategies, however not adequately covered in the AMP.	2	Document the legal, environmental and safety obligations in the AMP.	EHO 31 December 2010	Included in revised Asset Management Plan (Feb. 2011).	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	ntal/safety obligations of the asset owner are assigned and understood.						
2.11	Asset Disposal Under-utilised and under-performing assets are identified as part of a regular systematic review process.	Informally performed, not documented. As observed during maintenance or repeated repairs.	1	Create and implement a process for identifying capacity of assets and recording past performance. Include in AMP.	<i>EHO</i> <i>31 December 2010</i>	Included in revised Asset Management Plan (Feb. 2011).	COMPLETED
2.12	Asset Disposal The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	Informally performed, as and when required – very few assets, not documented.	1	Create and implement a review process for when under or poor performing assets are identified and include in AMP.	<i>EHO</i> <i>31 December 2010</i>	Included in revised Asset Management Plan (Feb. 2011).	COMPLETED
2.13	Asset Disposal Disposal alternatives are evaluated.	Normally old pumps taken by supplier, not documented.	1	Include the process of evaluating disposal alternatives in the AMP.	<i>EHO</i> <i>31 December 2010</i>	Included in revised Asset Management Plan (Feb. 2011).	COMPLETED
2.14	Asset Disposal There is a replacement strategy for	Shire replace as and when required. Shire to develop and stipulate its strategy, with special reference to mechanical and electrical	1	Create and implement replacement strategy for assets and include in AMP.	<i>EHO</i> <i>31 December 2010</i>	Included in revised Asset Management Plan (Feb. 2011).	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	assets.	equipment.					
2.15	Environmental Analysis Opportunities and threats in the system environment are assessed.	Not addressed in the AMP.	0	Identify, document and apply SWOT analysis to opportunities and threats. Include in the AMP.	<i>EHO</i> <i>31 December 2010</i>	Included in revised Asset Management Plan (Feb. 2011).	COMPLETED
2.16	Environmental Analysis Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved	Are contained in the AMP, but not monitored or measured.	3	Identify and document performance requirements for all assets including availability of service and capacity. Include in AMP.	<i>EHO</i> <i>31 December 2010</i>	Included in revised Asset Management Plan (Feb. 2011).	COMPLETED
2.17	Asset Operations Operational policies and procedures are documented and linked to service levels required.	Operating Rules prescribed in AMP. Policies and procedures to be developed and linked.	2	Create, document and implement operational policies and procedures and link to service levels required. Include in AMP.	<i>EHO</i> <i>31 December 2010</i>	Revised Asset Management Plan (Feb. 2011) has an overview of procedures. Manufacturer's manuals are available to staff.	COMPLETED
2.18	Asset Operations	Informally performed, but needs to be documented.	1	Risk management to be documented in the AMP.	<i>EHO</i> <i>31 December 2010</i>	Included in revised Asset Management	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	Risk management is applied to prioritise operations tasks.					Plan (Feb. 2011).	
2.19	Asset Maintenance Maintenance policies and procedures are documented and linked to service levels required.	No such policies or procedures – required to be developed.	3	Create and document policies linked to maintenance procedures and service levels for assets.	<i>EHO</i> <i>31 December 2010</i>	Included in revised Asset Management Plan (Feb. 2011).	COMPLETED
2.20	Asset Maintenance Failures are analysed and operation/maintenance plans adjusted where necessary.	Informally analysed. Perform required corrective work.	2	Create, document and regularly review a maintenance plan for assets including emergency, corrective and preventative measures.	<i>EHO</i> <i>31 December 2010</i>	Detailed maintenance plans are included in revised Asset Management Plan (Feb. 2011).	COMPLETED
2.21	Asset Maintenance Risk management is applied to prioritise maintenance tasks.	Informally performed by staff, but not used documented.	1	Assess risk management of maintenance tasks and include in the AMP.	<i>EHO</i> <i>31 December 2010</i>	Included in revised Asset Management Plan (Feb. 2011).	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
2.22	Asset Maintenance Maintenance costs are measured and monitored.	Budget vs. Actual are recorded in the AMP at a summary level. Regular review/monitoring against the budget is not completed on a regular basis.	3	Update the maintenance costs information in the AMP.	<i>EHO</i> <i>31 December 2010</i>	Included in revised Asset Management Plan (Feb. 2011).	COMPLETED
2.23	Asset Management information System Adequate system documentation for users and system operators.	No AMIS in place. Maintenance and work reports information is available. No documentation on system operation.	1	Purchase/ develop Asset Management software and roll over all asset data to one system.	<i>EHO</i> <i>31 December 2010</i>	An Asset Management Information System (AMIS) has been installed and populated.	COMPLETED
2.24	Asset Management information System Input controls include appropriate verification and validation of data entered into the system.	No AMIS in place.	0	Create data verification procedure for updating asset data in Asset Management software.	<i>EHO</i> <i>31 December 2010</i>	An Asset Management Information System (AMIS) has been installed and populated. Data is checked on input.	COMPLETED
2.25	Asset Management information	No AMIS in place.	0	Ensure Asset management Information System can only be accessed by	<i>EHO</i> <i>31 December 2010</i>	Password controls in place.	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	System Logical security access controls appear adequate, such as passwords.			authorised persons.			
2.26	Asset Management information System Physical security access controls appear adequate.	No AMIS in place.	0	Ensure adequate physical security access controls such as swipe cards are implemented.	<i>EHO</i> <i>31 December 2010</i>	Office security is in place.	COMPLETED
2.27	Asset Management information System Data backup procedures appear adequate.	No AMIS in place.	0	Create and implement backup procedure for asset data.	<i>EHO</i> <i>31 December 2010</i>	Backup procedure implemented.	COMPLETED
2.28	Asset Management information System Key computations related to licensee	No AMIS in place.	0	Create and implement procedures for producing regular reports to monitor assets and link to licence obligations.	<i>EHO</i> <i>31 December 2010</i>	Included in revised Asset Management Plan (Feb. 2011).	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	performance reporting are materially accurate.						
2.29	Asset Management Information System Management reports appear adequate for the licensee to monitor licence obligations.	Only annual Schedule 3 reporting.	1	Create and implement procedures for producing regular reports to monitor assets and link to licence obligations.	<i>EHO</i> <i>31 December 2010</i>	Included in revised Asset Management Plan (Feb. 2011).	COMPLETED
2.30	Risk Management Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	Risk evaluated – No specific policies or procedures regarding the sewerage system.	1	Create risk management procedures and policies to be included in AMP.	<i>EHO</i> <i>31 December 2010</i>	Included in revised Asset Management Plan (Feb. 2011).	COMPLETED
2.31	Risk Management	Risks are documented in the AMP or a Risk Register.	0	Action current risks identified in AMP and create procedure for	<i>EHO</i> <i>31 December 2010</i>	Included in revised Asset Management	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	Risks are documented in a risk register and treatment plans are actioned and monitored.			monitoring. Ensure policy includes risk reviewing procedure.		Plan (Feb. 2011).	
2.32	Risk Management The probability and consequences of asset failure are regularly assessed.	Completed informally by staff, but not documented.	1	Create and document risk register including the treatment and consequences of asset failure. Include in AMP.	<i>EHO</i> <i>31 December 2010</i>	Included in revised Asset Management Plan (Feb. 2011).	COMPLETED
2.33	Contingency Planning Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	No Contingency Plans available.	0	Create and document Contingency Plans for sewer system and include in AMP.	<i>EHO</i> <i>31 December 2010</i>	Contingency Plans have not been developed.	OUTSTANDING
2.34	Financial Planning The financial plan provides for the	Some information in AMP, but needs to be expanded and updated.	2	Expand financial plan to include all requirements of assets and include in AMP.	<i>EHO</i> <i>31 December 2010</i>	Included in revised Asset Management Plan (Feb. 2011).	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	operations and maintenance, administration and capital expenditure requirements of the services.						
2.35	<p>Financial Planning</p> <p>Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.</p>	Informally done by staff, but not documented in AMP.	1	Create and implement procedure for regularly reviewing the budget and take corrective action where necessary.	<i>EHO</i> <i>31 December 2010</i>	Included in revised Asset Management Plan (Feb. 2011).	COMPLETED
2.36	<p>Review of Asset Management System</p> <p>A review process is in place to ensure that the asset management plan and the asset management system</p>	AMP was updated in 2006 and forms part of the AMS. Some components in the AMP are also processes of the AMS. Shire to develop all other processes of an AMS, update the AMP annually and implement a review process/procedure to ensure the AMP and AMS are kept current.	2	Create asset management review procedure to ensure system is reviewed regularly.	<i>EHO</i> <i>31 December 2010</i>	Included in revised Asset Management Plan (Feb. 2011).	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	described therein are kept current.						
2.37	<p>Review of Asset Management System</p> <p>Independent reviews (e.g. internal audit) are performed of the asset management system.</p>	This is first review of the AMS, as previous audits recorded that and AMS was not in place. Shire should develop and implement all processes of an AMS and provide for an independent review of the system, once in place.	1	Shire to develop and implement all processes of an AMS. Shire to provide for an independent review of the system, once in place.	<i>EHO</i> <i>31 December 2010</i>	Included in revised Asset Management Plan (Feb. 2011).	COMPLETED

4.3 Review Results and Recommendations

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating ³	A	Performance Rating ⁴	1
1	ASSET PLANNING				
1.1	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	The Shire of Wickepin Asset Management Plan (AMP) dated February 2011 was sighted. The goal, objective and level of service are stated in the AMP as: <i>“to provide cost effective wastewater collection, treatment and disposal services for the town of Wickepin, which meets community expectations for health and environmental management”.</i>			
1.2	Service levels are defined.	The Levels of Service requirements for customers are detailed in the Customer Service Charter. Additionally, the levels of service and performance parameters have been defined in the AMP. Performance is measured in performance reports to the Authority.			
1.3	Non-asset options (e.g. demand management) are considered.	The assets are considered appropriate for the current levels of demand.			
1.4	Lifecycle costs of owning and operating assets are assessed.	The Life Cycle costs have been considered in the Financial Management section of the AMP. Five year forecasts in the AMP indicate the Shire will not meet its operational and capital costs and will need to seek funding to maintain the scheme.			
1.5	Funding options are evaluated.	The Shire maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Wickepin Sewerage Scheme. The Shire has a specified area rating which is applied to all properties connected or capable of being connected to the sewerage scheme in the Wickepin town site. The purpose of this rate is to offset the cost of the sewerage treatment, including operation, maintenance, administration, depreciation and loan repayments. The Asset Management Plan (Feb. 2011) notes that the Shire does not have enough rates income for the sewerage			

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)			
		scheme to cover the operational, maintenance and capital costs of replacement over the life of the scheme. The Plan notes that the Shire needs \$103,837 per annum but only collects approximately \$33,000 in rates per annum. Refer item 10.2.			
1.6	Costs are justified and cost drivers identified.	The analysis assumes that assets will be replaced at the end of their standard economic life. The forecast lifecycle asset replacement program is included in the Annual Capital Investment Budget Excel spreadsheet.			
1.7	Likelihood and consequences of asset failure are predicted.	The analysis assumes that assets will be replaced at the end of their standard economic life.			
1.8	Plans are regularly reviewed and updated.	The AMP is reviewed in April of each year in the development of the annual Shire budget for the following year.			
2	ASSET CREATION/ ACQUISITION	Process Rating	A	Performance Rating	N/R
2.1	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	No new assets are shown on the Capital Investment Budget. Only replacement of existing components as they reach the end of their life.			
2.2	Evaluations include all life-cycle costs.	No new assets are shown on the Capital Investment Budget.			
2.3	Projects reflect sound engineering and business decisions.	No new assets are shown on the Capital Investment Budget.			
2.4	Commissioning tests are documented and completed.	No new assets acquired.			
2.5	Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	Section 2.3 of the AMP outlines the legislative requirements, although this section needs to be updated. Refer Item 4.3 for recommendation.			
3	ASSET DISPOSAL	Process Rating	A	Performance Rating	1
3.1	Under-utilised and under-performing assets are identified as part of a regular systematic review process.	This is a small system with only the essential assets to enable it to function. No disposals are anticipated. An Asset Condition and Performance Spreadsheet was sighted. It is noted from the spreadsheet that all assets were last inspected in October 2010.			
3.2	The reasons for under-utilisation or	Asset condition is reviewed and reasons for any under-performance are investigated.			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	poor performance are critically examined and corrective action or disposal undertaken.				
3.3	Disposal alternatives are evaluated.	According to the AMP, assets at the end of their life will be replaced with a similar capacity and the old asset dumped or recycled for scrap as appropriate.			
3.4	There is a replacement strategy for assets.	The Capital Investment Plan provides a program for the replacement of assets.			
4	ENVIRONMENTAL ANALYSIS	Process Rating	A	Performance Rating	1
4.1	Opportunities and threats in the system environment are assessed.	Opportunities and threats for the system are considered in the AMP and in the risk assessment spreadsheet.			
4.2	Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved.	Annual Performance Report sighted for 2008/09, 2009/10 and 2010/11.			
4.3	Compliance with statutory and regulatory requirements.	<p>The Asset Management Plan identifies the following regulatory requirements:</p> <ul style="list-style-type: none"> ▪ Water Services Licensing Act 1995; ▪ Local Government Act 1995; ▪ Environmental Protection Act 1986; ▪ Occupational Safety and Health Act 1984; and ▪ Occupational Safety and Health Regulations 1996. <p>The AMP also requires compliance with the Shire's Operating Licence for Sewerage Services under the Water Services Licencing Act 1995, valid until 29th April 2021.</p> <p>The EHO monitors compliance.</p>			
4.4	Achievement of customer service levels.	Compliance reports have been submitted for the past 3 years.			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating	A	Performance Rating	1
5	ASSET OPERATIONS				
5.1	Operational policies and procedures are documented and linked to service levels required.	The Asset Management Plan includes an overview of the operations of the system. The manufacturers' 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 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> <p>Physical parameters for the assets are recorded in "As constructed" drawings. The AMP provides a summary description of each installation within the system.</p> <p>The condition assessment is documented in the Condition and Performance Assessment spreadsheet.</p>			
5.4	Operational costs are measured and monitored.	All asset expenditure is captured in the Shire's Financial Management Information System (FMIS). The historical cost information for the assets has not been transferred to the Asset Register but is in the FMIS.			
5.5	Staff receive training commensurate with their responsibilities.	<p>The Wickepin wastewater scheme is a simple system, which requires a basic level of asset management to maintain it in an effective condition. The assets are in excellent condition. The assets seem appropriate for the current levels of demand.</p> <p>The AMP outlines the current human resources required to support the plan as follows:</p> <ul style="list-style-type: none"> ▪ Works Manager; 			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<ul style="list-style-type: none"> ▪ Environmental Health Officer/Building Surveyor; and ▪ Administration Officer. 			
6	ASSET MAINTENANCE	Process Rating	A	Performance Rating	1
6.1	Maintenance policies and procedures are documented and linked to service levels required.	<p>The Asset Management Plan includes a section on Routine and Planned Maintenance Plans. This is effectively an overview of the maintenance.</p> <p>The Wickepin wastewater scheme is a simple system, which requires a basic level of asset management to maintain it in an effective condition. The system is also relatively young and the assets are in good condition. The assets seem appropriate for the current levels of demand.</p> <p>The maintenance tasks specified in the Maintenance Schedule relate to the levels of service required of the system.</p>			
6.2	Regular inspections are undertaken of asset performance and condition.	<p>A condition monitoring system has been instigated for all assets. The latest recorded inspection was in October 2010. The general condition of assets has been assessed as good at the date of the visit with the possible exception of the ponds.</p> <p>There has been some concern with the condition of the banks of the oxidation ponds. Anecdotal evidence from Shire staff and locals suggest the banks have been in their current condition for at least the last ten years, with no noticeable further deterioration. As the banks appear stable at present, any remediation now may in fact reduce this stability. The oxidation ponds are inspected at least annually for erosion which is considered adequate to monitor the condition of the ponds.</p> <p>Maintenance is regularly performed on assets as per the maintenance schedule.</p> <p>Maintenance is carried out by qualified maintenance staff on a regular basis. A licenced plumber is available to maintain the sewer assets if needed. Health requirements for the sewer are instigated and maintained to ensure protection of health of the town population.</p> <p>The unforeseen maintenance tasking is instigated by a telephone call-out system to the Works Supervisor, who attends the site, assesses the requirements and arranges the immediate and follow-up actions and activities.</p>			
6.3	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	<p>A comprehensive Routine Maintenance Plan has been included in the AMP. The maintenance schedule specifies maintenance tasks to be carried out and the intervals at which they need to be done. 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. The audit sighted the completed maintenance schedule.</p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		The unforeseen maintenance tasking is instigated by a telephone call-out system to the Shire Work's Manager, who attends the site, assesses the requirements and arrange the immediate and follow-up actions and activities.			
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 EHO's PC which restricts access to authorised Shire officers.			
7.4	Physical security access controls appear adequate.	The Shire offices are locked and alarmed outside of hours.			
7.5	Data backup procedures appear adequate.	The system is regularly backed up as part of the standard IT maintenance procedures on weekly basis. The back up tape goes offsite for safekeeping.			
7.6	Key computations related to licensee performance reporting are materially accurate.	<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. 			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<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	1
8.1	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	<p>The Risk Assessment policy and procedures are outlined in the Asset Management Plan and have been implemented through the development of a detailed risk register.</p>			
8.2	Risks are documented in a risk register and treatment plans are actioned and monitored.	<p>A detailed risk register has been prepared listing the water service operating licence risks and the main assets of the scheme. The level of risk has been assessed and mitigation strategies, such as regular inspections, have been noted for moderate or higher risks.</p> <p>Control measures are in place to deal with identified risks.</p>			
8.3	The probability and consequences of asset failure are regularly assessed.	<p>The risk register records the risks of asset failure and is reviewed annually.</p>			
9	CONTINGENCY PLANNING	Process Rating	C	Performance Rating	3
9.1	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	<p>Key staff have an understanding of unwritten procedures, such as the calling of a plumber in the case of a pipe blockage, or an electrician in the case of a pump failure.</p> <p>However, a formal Contingency Plan has not been developed.</p> <p>The Asset Management Plan has an action item to develop a contingency plan for sewerage overflows by October 2011.</p> <ul style="list-style-type: none"> • Based on the risk assessment in the AMP, a set of contingency plans or emergency procedures should be 			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<p>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; extreme rainfall events/water overflows from the ponds; pipeline burst or blockages etc.</p> <p>The contingency plans should include:</p> <ul style="list-style-type: none"> ○ Detailed procedures ○ Key local contact details – name, number and location ○ Communication protocols ○ Specifications, location and availability of emergency equipment ○ Authorities that need to be contacted and when. <ul style="list-style-type: none"> ● 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><i>(Post Audit Implementation Plan item 2.2)</i></p>			
10	FINANCIAL PLANNING	Process Rating	A	Performance Rating	2
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 Wickepin Capital Investment and Maintenance Budgets.			
10.2	The financial plan identifies the source of funds for capital expenditure and recurrent costs.	<p>The Shire maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Wickepin Sewerage Scheme.</p> <p>The Shire has a specified area rating which is applied to all properties connected or capable of being connected to the sewerage scheme in the Wickepin town site. The purpose of this rate is to offset the cost of the sewerage treatment, including operation, maintenance, administration, depreciation and loan repayments.</p> <p>The Asset Management Plan (Feb. 2011) notes that the Shire does not have enough rates income for the sewerage scheme to cover the operational, maintenance and capital costs of replacement over the life of the scheme. The Plan notes that the Shire needs \$103,837 per annum but only collects approximately \$33,000 in rates per annum.</p>			
10.3	The financial plan provides projections of operating statements (profit and	The Annual Budget document is completed for each coming financial year for the Shire which includes the Sewerage			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	loss) and statement of financial position (balance sheets).	System. Actual/budget income and expenditure is monitored. Sighted the Shire of Wickepin Capital Investment and Maintenance Budgets.			
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	The Shire of Wickepin Capital Investment and Maintenance Budgets have forward projects budgeted up until 2058. The annual 2011/12 budget provides for sewerage collection, depreciation and administration.			
10.5	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	<p>The sewerage reserve had a balance of \$76,137 at 30 June 2010 with NIL transferred in per the 2010/11 budget. The Asset Management Plan for capital expenditure estimates that an annual annuity of \$23,297 is required from 2011 to replace assets over their lifecycle up to 2062. The current reserve is adequate to cover the estimated capital expenditure annuity for the next 5 years but further transfers to the reserve will be needed in future years.</p> <p>The rates collected each year for the scheme of \$33,000 do not cover the average operations and maintenance cost of \$60,000 over the next 5 years (per the Asset Management Plan). The income and expenditure for the scheme is reviewed each April as part of the annual budget preparation.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Further consideration will need to be given to recovering the full cost of the sewerage scheme if operations and maintenance levels are to be maintained. <p><i>(Post Audit Implementation Plan item 2.3)</i></p>			
10.6	Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.	Variations in actual and budget income and expenses are identified in monthly reports.			
11	CAPITAL EXPENDITURE PLANNING	Process Rating	A	Performance Rating	1
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	The forecast lifecycle asset replacement program is included in the Annual Capital Investment Budget Excel spreadsheet.			
11.2	The plan provides reasons for capital expenditure and timing of expenditure.	The analysis assumes that assets will be replaced at the end of their standard economic life.			
11.3	The capital expenditure plan is	The capital expenditure plan would appear to be consistent with the estimated replacement year. In reality some			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	consistent with the asset life and condition identified in the asset management plan.	assets will fail earlier than the standard life and some assets will remain useful beyond the standard replacement life. A condition monitoring system has been implemented.			
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	A process of review is in place for the yearly update of the capital investment plans.			
12	REVIEW OF ASSET MANAGEMENT SYSTEM	Process Rating	A	Performance Rating	2
12.1	A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.	<p>During the audit period, the Shire has reviewed the overall Asset Management System in total and introduced a new Asset Management Plan (AMP). The Authority was notified of progress in PAIP reports.</p> <p>The audit confirmed with the Shire's EHO that apart from the new AMP, there were no material changes made to the asset management system that would require notification to the Authority.</p> <p>The Shire has developed and implemented the Compliance Schedule. However the Schedule does not include the required timeframes for the notification of the asset management system changes to the Authority.</p> <p>A new AMP was issued in February 2011. However, the Monitoring and Review Procedures section of the AMP has not been updated for the requirement to notify the Authority of any changes to the asset management system within the required timeframe.</p> <p>The back page of the AMP contains a Document /Report Control Form 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 23/3/11. There were no further revisions carried out. The users of the AMP could benefit from a brief description of changes to the document from the previous version.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> • Update the Asset Management Plan - Monitoring and Review Procedures section for the requirement to notify the Authority of any changes to the asset management system within 10 business days. <i>(Post Audit Implementation Plan item 1.3)</i> ▪ Modify the "Document Status" table to include a brief description of changes to the document from the previous version. <i>(Post Audit Implementation Plan item 2.4)</i> 			
12.2	Independent reviews (e.g. internal audit) are performed of the asset	An independent review is performed every 3 years as required by the licence.			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
	management system.	

4.4 Conclusion

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

The review confirmed that out of 37 recommendations in the previous review report dated August 2009, 36 have been implemented and 1 is outstanding. A new Asset Management Plan and supporting database system have been implemented.

The outstanding issue is:

- There are no detailed contingency plans for failure of assets or risk events such as overflow of the ponds; and no evidence of testing.

There has been some concern with the condition of the banks of the oxidation ponds. Anecdotal evidence from Shire staff and locals suggest the banks have been in their current condition for at least the last ten years, with no noticeable further deterioration. As the banks appear stable at present, any remediation now may in fact reduce this stability. The oxidation ponds are inspected at least annually for erosion which is considered adequate to monitor the condition of the ponds.

One new issue was noted as follows:

- The existing specified area rates charged for the scheme are insufficient to recover the operating and maintenance costs of the scheme as estimated in the Asset Management Plan;

The review recommended that the Shire:

- Develop detailed contingency plans and review/test these on an annual basis;
- Give further consideration to recovering the full cost of operating and maintaining the sewerage scheme; and
- A minor improvement is to include a summary of changes in the document history in the Asset Management Plan.

The review of the asset management system shows that the system is very well maintained and processes are well-defined and monitored in practice.

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

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

Appendix A: Post Audit Implementation Plan

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
1	Operational Audit				
1.1 (items 5 & 6)	<p>Operational Audit and Asset Management System Review</p> <p>The Operational Audit and Asset Management System Review is now being undertaken.</p> <p>However, there is no Compliance Schedule to ensure that reviews are undertaken by the prescribed time.</p>	Low	Implement a Compliance Schedule (reminder system) that sets out the responsibilities and due dates of all regulatory reviews and reporting to the Authority.	<p>Compliance Schedule now placed on the Sewerage Audit File # 7002</p> <p>Also placed on the Shire electronic Calender for action by the CEO & EHO</p>	EHO/CEO Completed
1.2 (item 21)	<p>Review of Customer Service Charter</p> <p>The revised Customer Service Charter was approved by the Authority on 10 September 2008. Although the Authority has approved the charter, the Authority acknowledged that the timeframe within which the Shire has submitted its charter has been unduly long. Amendments to the Customer Service Charter were approved by the Authority on 26 October 2009.</p> <p>The Authority has provided a 12 months extension to the deadline for Shire's Customer Service Charter review. The next review is due on 10 September 2012.</p> <p>However, there is no process in place to ensure that the timeframes would be met.</p>	Low	Implement a Compliance Schedule with the Customer Service Charter review dates included as part of the schedule of events to ensure regulatory timeframes are met.	<p>Compliance Schedule now placed on the Sewerage Audit File # 7002</p> <p>Also placed on the Shire electronic Calender for action by the CEO & EHO</p>	EHO/CEO Completed

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
1.3 (item 44)	<p>Notify Changes to Asset Management System</p> <p>The licensee must notify the Authority of any changes to its asset management system within 10 business days from the date of change.</p> <p>Apart from the new AMIS and AMP, there were no material changes made to the asset management system that would require notification to the Authority.</p> <p>However, there is no process in place to ensure that the Shire would notify the Authority of any changes to its asset management system within 10 business days from the date of change.</p> <p>The new AMP was issued in February 2011. Although, the Legislative Requirements section of the AMP refers to the requirement to notify any changes to the system to the Authority, the required timeframe is not specified.</p>	Low	<p>a) Update the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within 10 business days.</p> <p>b) Implement a Compliance Schedule and note the required timeframe of 10 business days for notification of asset management system changes to the Authority.</p>	<p>Update of Asset Management Plan placed on the Shire electronic Calendar for action by the CEO & EHO.</p> <p>Compliance Schedule now placed on the Sewerage Audit File # 7002</p>	<p>EHO/CEO</p> <p>Review July 2012 for completion September 2012</p> <p>Completed</p>
1.4 (item 48)	<p>Performance and Compliance Reporting</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. 	Medium	<p>a) Implement a Compliance Schedule with timeframes for annual Performance and Compliance Reports submission as part of the schedule of events. The Compliance Schedule will also assist replacement staff to meet regulatory timeframes if the EHO is on leave.</p>	<p>Compliance Schedule now placed on the Sewerage Audit File # 7002</p>	<p>EHO/CEO</p> <p>When required</p>

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	<p>The audit reviewed the Shires' Compliance and Performance Reports for the year ending 30 June 2009, 2010 and 2011 and noted the following exceptions:</p> <ul style="list-style-type: none"> • Performance Report for the year ended 30 June 2009 was submitted after the due date (in August 2009). The Authority acknowledged this non-compliance but this was omitted from the Compliance Report for 2010; • Compliance Report for the year ended 30 June 2010 did not include the above non-compliance and was submitted after the due date (in September 2010); • Compliance Report for the year ended 30 June 2011 did not include the late 2010 Compliance Report as a non-compliance; and • Performance Report for the year ended 30 June 2011 was submitted after the due date (in August 2011). The Authority acknowledged this non-compliance and it needs to be recorded in the Compliance Report for the year ending 30 June 2012. <p>There is no procedure to ensure the timely submission of reports. The submission of reports is purely reactionary to the reminders received from the Authority.</p>		<p>b) Ensure that all future Performance Reports are submitted to the Authority within the timeframes required.</p> <p>c) Keep track of all non-compliances with the licence obligations so that future Compliance Reports are complete.</p>		

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
2	Asset Management System Review				
2.1	<p>Contingency Planning</p> <p>Key staff have an understanding of unwritten procedures, such as the calling of a plumber in the case of a pipe blockage, or an electrician in the case of a pump failure.</p> <p>However, a formal Contingency Plan has not been developed.</p> <p>The Asset Management Plan has an action item to develop a contingency plan for sewerage overflows by October 2011.</p>	Medium	<p>a) Based on the risk assessment in the AMP, 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; 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"> o Detailed procedures o Key local contact details – name, number and location o Communication protocols o Specifications, location and availability of emergency equipment o Authorities that need to be contacted and when. <p>b) Once developed, the contingency plans should be reviewed and tested on at least an annual basis or whenever major changes are</p>	<p>Compliance Schedule now placed on the Sewerage Audit File # 7002</p> <p>Placed on the Shire electronic Calender for action by the CEO & EHO</p>	<p>CEO & EHO</p> <p>June 2012</p>

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
			required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency.		
2.2	<p>Financial Planning</p> <p>The financial plan should provide for the operations and maintenance, administration and capital expenditure requirements of the services.</p> <p>The sewerage reserve had a balance of \$76,137 at 30 June 2010 with NIL transferred in per the 2010/11 budget. The Asset Management Plan for capital expenditure estimates that an annual annuity of \$23,297 is required from 2011 to replace assets over their lifecycle up to 2062. The current reserve is adequate to cover the estimated capital expenditure annuity for the next 5 years but further transfers to the reserve will be needed in future years.</p> <p>The rates collected each year for the scheme of \$33,000 do not cover the average operations and maintenance cost of \$60,000 over the next 5 years (per the Asset Management Plan). The income and expenditure for the scheme is reviewed each April as part of the annual budget preparation.</p>	Medium	Further consideration will need to be given to recovering the full cost of the sewerage scheme if capital, operations and maintenance levels are to be maintained.	<p>Compliance Schedule now placed on the Sewerage Audit File # 7002</p> <p>Placed on the Shire electronic Calender for action by the CEO & EHO</p>	<p>EHO & CEO</p> <p>Council item for fee review May 2012 Council Meeting.</p> <p>Preparation of report April 2012</p>
2.3	Review of Asset Management System/Plan	Low	Modify the "Document Status" table to include a brief description of changes	Compliance Schedule now placed on the Sewerage	EHO & CEO

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	<p>The back page of the AMP contains a Document /Report Control Form 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 23/3/11. There were no further revisions carried out. The users of the AMP could benefit from a brief description of changes to the document from the previous version.</p>		<p>to the document from the previous version.</p>	<p>Audit File # 7002 Placed on the Shire electronic Calender for action by the CEO & EHO</p>	<p>April 2012</p>

END OF REPORT