



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

Operational Audit and  
Asset Management  
System Review

Final Report

May 2012

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## Executive Summary

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

The Lake Grace sewerage scheme was originally commissioned in 1978 with upgrades in 1990 and 2000. The scheme is operated by the Shire of Lake Grace and includes a gravity reticulation system, four pumping stations, a rising main, a treatment plant (Imhoff tank and waste stabilisation ponds) and an effluent re-use scheme. The scheme provides sewerage services to the town population of approximately 500 people. The scheme collects and treats approximately 48,000m<sup>3</sup> of residential and commercial liquid wastes and re-uses treated and disinfected effluent on spray irrigation of the town's sports ovals.

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

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

### OPERATIONAL AUDIT

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

- not providing the 2010 and 2011 Compliance Reports to the Authority by the due date.

The audit reviewed the action taken on previous audit recommendations in the previous audit report dated August 2009 and confirmed that all recommendations had been implemented.

The audit noted the following opportunities for further improvements:

- ensure that compliance reports are provided to the Authority by the due dates;
- update the Compliance Deadlines Schedule to include the due dates for asset management reviews/operational audits and Customer Charter Review, and advice to the Authority of changes to the asset management system; and
- update the Asset Management Plan to notify the Authority of any changes to the asset management system within 10 business days.

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

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

## **ASSET MANAGEMENT SYSTEM REVIEW**

The review of the Asset Management System has shown that the processes are well defined and that Shire staff are familiar with the requirements of the system and apply them in the day to day operations and maintenance of the system.

The review confirmed that all recommendations in the previous review report dated August 2009 had been implemented. A new Asset Management Plan and supporting database system have been implemented.

The following new issue was noted:

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

The review recommended that the Shire:

- develop detailed contingency plans and review/test these on an annual basis; and
- a minor improvement is to include a summary of changes in the document history in the Asset Management Plan.

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

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

## **POST AUDIT IMPLEMENTATION PLAN**

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

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

## Audit Opinion

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

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

#### Respective Responsibilities

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

#### Limitations

This report was prepared for distribution to the Shire of Lake Grace 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 Lake Grace has complied, in all material respects, with the performance and quality standards and obligations of the Water Services Operating Licence for the period from 1<sup>st</sup> December 2008 to 30<sup>th</sup> November 2011.

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

QUANTUM MANAGEMENT CONSULTING & ASSURANCE



GEOFF WHITE      PERTH, WA  
DIRECTOR          15 MAY 2012

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

Operational Audit and  
Asset Management  
System Review  
- Introduction

Final Report

May 2012

## 1. Background

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

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 Lake Grace sewerage scheme was originally commissioned in 1978 with upgrades in 1990 and 2000. The scheme is operated by the Shire of Lake Grace and includes a gravity reticulation system, four pumping stations, a rising main, a treatment plant (Imhoff tank and waste stabilisation ponds) and an effluent re-use scheme. The scheme provides sewerage services to the town population of approximately 500 people. The scheme collects and treats approximately 48,000m<sup>3</sup> of residential and commercial liquid wastes and re-uses treated and disinfected effluent on spray irrigation of the town's sports ovals.

The scheme consists of 8.5 km of gravity mains and 1.5 km of pressure main. The Imhoff tank has a capacity of 229 m<sup>3</sup> and the primary and secondary treatment ponds have a storage capacity of 4,605m<sup>3</sup> and 6,477m<sup>3</sup> respectively. The effluent re-use storage consisting of two concrete tanks and one galvanised steel tank has a combined capacity of 90m<sup>3</sup>.

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

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

## 2. Methodology

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### 2.1 Objectives and Scope

#### 2.1.1 Operational Audit

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

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

The scope of the audit covered the following:

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

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

#### 2.1.2 Asset Management System Review

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

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

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

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



## 2.2 Audit Period and Timing

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

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

## 2.3 Licensee's Representatives Participating in the Audit

- Maurice Walsh – Environmental Health Officer (EHO)

## 2.4 Key Documents Examined

- Shire of Lake Grace - Water Services Operating Licence 22 Version OL2 dated 15 May 2009
- Audit Report - Shire of Lake Grace Water Licence Operational Audit and Asset Management Review dated August 2009
- Post Audit Implementation Plan - Shire of Lake Grace Water Licence Operational Audit and Asset Management Review dated August 2009
- Shire of Lake Grace Customer Service Charter for Wastewater Services (revised November 2009)
- Shire of Lake Grace Annual Report for 2009/10
- Shire of Lake Grace Annual Report for 2010/11
- Shire of Lake Grace 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
- Lake Grace Compliance Deadlines schedule
- Shire of Lake Grace Complaints Form
- Shire of Lake Grace sewerage Scheme Customer Complaint Register
- Correspondence between the Shire and the Authority
- Lake Grace Operating Area (Sewerage and Non-potable water supply services) Plan No. OWR-OA-037
- Lake Grace Asset Management Information System (Excel spreadsheets)
- Lake Grace Asset Management Maintenance Programme 2010/11
- Lake Grace Asset Management Maintenance Programme 2011/12
- Budget 2010-11.

## 2.5 Operational Audit - Compliance Ratings

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

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

## 2.6 Asset Management System Review - Effectiveness Ratings

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

### Asset management process and policy definition - Adequacy ratings

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

### Asset management process - Performance ratings

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

### 2.7 Audit Team and Hours

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

Shire of Lake Grace  
Water Services Operating Licence  
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### 3. Operational Audit

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

#### 3.1 Summary of Compliance Ratings

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

No. <sup>1</sup>	Operating Licence Compliance Element	Operating Licence reference (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	
<b>WATER SERVICES LICENSING ACT 1995</b>														
1	General duty to provide services	n/a	1	C	Low	Strong						✓		
2	Regulations prescribing standard of service	Cl. 19	3	B	High	Strong						✓		
3	Asset Management System	Cl. 17.1	2	C	Medium	Strong						✓		
4	Notify changes to Asset Management System	Cl. 17.2	1	C	Low	Moderate				✓				
5	Review of Asset Management System	Cl. 17.3	1	C	Low	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						✓		
<b>WATER COORDINATION REGULATIONS 1996</b>														
8	Payment of fees	Cl. 4.1	1	C	Low	Strong							✓	
<b>OTHER LICENCE CONDITIONS</b>														
9	Customer complaints process	Cl. 6.1	2	B	Medium	Strong						✓		
10	<i>N/A to local government</i>	Sch.3, Cl. 3.1	N/A	N/A	N/A	N/A						✓		
11	Customer complaints resolution	Sch.3, Cl. 3.8	2	B	Medium	Strong							✓	
12	Staff trained to respond to complaints	Sch.3 Cl.3.2(b)	N/A	N/A	N/A	N/A						✓		
13	Staff authorised to make decisions on complaints	Sch.3 Cl.3.9(b)	1	C	Low	Strong						✓		
14	Complaints system	Sch.3 Cl.3.2(d)	2	B	Medium	Strong						✓		
15	<i>N/A to local government</i>	Sch.3 Cl.3.4	N/A	N/A	N/A	N/A						✓		
16	Option to refer complaint to Dept. of Water	Sch.3 Cl.3.10	2	B	Medium	Strong							✓	
17	Must co-operate with Dept. of Water	Sch.3 Cl.3.6	2	C	Medium	Strong							✓	
18	Provide details to Dept. of Water	Sch.3 Cl.3.7	2	C	Medium	Strong							✓	

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

No. <sup>1</sup>	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		
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	Strong							✓		
48	Information reporting requirements	Cl. 21.2	2	B	Medium	Weak		✓							
49	Publish information directed by Authority	Cl. 22.2 - .4	2	B	Low	Strong									✓
-	Written conditions for connections	Sch.6 Cl. 2.1	2	B	Medium	Strong							✓		
-	Services available for connection	Sch.6 Cl. 2.2	2	B	Medium	Strong							✓		
-	Agreement to discontinue services	Sch.6 Cl. 2.3	2	B	Medium	Strong									✓

### 3.2 Previous Audit Recommendations

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

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
1.1 (item 3)	<p><b>Asset Management System</b></p> <p>The Licensee must have an Asset Management System in respect to the licensed activity.</p>	<p>Basics are in place with a simple Asset Management Plan and asset register system</p> <p>The general requirements for maintaining the system are documented in the Asset management Plan (January 2007).</p> <p>Routine and planned maintenance tasks completed in accordance with the schedule in the AMP. Documentation required.</p>	2	<p>Revise the AMP to include the additional information detailed in Section 6.2.</p> <p>Revise the AMP to include the additional information detailed in Section 6.2.</p> <p>The Shire needs to document operations, repairs and maintenance activities.</p>	<p><i>EHO to revise the AMP by 31 January 2010.</i></p> <p><i>EHO to revise the AMP by 31 January 2010.</i></p> <p><i>EHO to revise the AMP by 31 January 2010.</i></p>	<p>Asset Management Information System (AMIS) now installed and populated.</p> <p>AMP was complete.</p> <p>AMIS maintenance Planning module complete and includes detailed maintenance plans for all assets.</p>	COMPLETED
1.2 (item 20)	<p><b>Customer Service Charter</b></p> <p>The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence.</p>	<p>Copies available on request at the Reception counter.</p> <p>Customers not advised of the availability and not Customer Service Charter displayed prominently.</p>	3	<p>Ensure the customer service charter is available at request and displayed at reception and advised customers of the availability of the charter such as through newsletters at least once per year.</p>	<p><i>EHO to advise the customers of the availability of the CSC by 30 September 2009 and on the annual basis thereafter.</i></p>	<p>Customers advised in rates notices.</p> <p>Copies of Customer service Charter are available at reception area.</p>	COMPLETED

### 3.3 Audit Results and Recommendations

No <sup>2</sup>	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)
<b>DETAILED COMPLIANCE OBLIGATIONS</b>							
<b>LICENCE COMPLIANCE REQUIREMENTS – WATER SERVICES LICENSING ACT 1995</b>							
1	Water Services Licensing Act Section 32(1)(a)	n/a	The licensee must provide the water service.	1	5	The audit confirmed that the Shire provides the water service.	5
2	Water Services Licensing Act Section 33	Clause 19	The Licensee must achieve prescribed standards as defined in the regulations.	2	2	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 in total, installed and populated a new	4

<sup>2</sup> 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>Asset Management Information System (AMIS) and introduced a new Asset Management Plan (AMP). The Authority was notified of progress in the Post Audit Implementation Plans.</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>The Shire has developed and implemented the Compliance Schedule, however the Schedule does not include the Asset Management System Review due dates.</p> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>▪ <b>Note the required timeframe for the Asset Management System Review in the Compliance Schedule to ensure regulatory timeframes are met.</b></li> </ul> <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>The Shire has developed and implemented the Compliance Schedule, however the Schedule does not include the Operational Audit due dates.</p> <p>Refer recommendation in section 5 above.</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"> <li>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).</li> <li>90% of complaints resolved within 15 business days.</li> <li>Fewer than 40 blockages per 100km of sewer main per year</li> <li>90% of connected properties experience no sewerage overflows per year</li> </ul>	2	2	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
<b>LICENCE COMPLIANCE REQUIREMENTS – WATER COORDINATION REGULATION 1996</b>							
8	Water	Clause 4.1	The licensee must pay the	N/R	5	The licence expires on 29 April 2021. The application for	N/R

No <sup>2</sup>	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
	Services Coordination Regulations Section 2		applicable fees in accordance with the regulations.			renewal of the licence is to be accompanied by the prescribed fee.	
<b>LICENCE COMPLIANCE REQUIREMENTS – LICENCE CONDITIONS</b>							
9	N/A	Clause 6.1	The licensee must establish a customer complaints process as set out in Schedule 3.	NR	4	The Customer Service Charter outlines 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 Lake Grace 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 Lake Grace is a Local Government Agency so this is not applicable.	N/A

No <sup>2</sup>	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)
13	N/A	Schedule 3 Clause 3.9(b)	The licensee must provide one trained staff member who is authorised or has access to another officer who is authorised to make necessary decisions to respond to complaints.	NR	5	The Shire's CEO is authorised to make necessary decisions to settle the customer complaints or disputes. The Shire's staff have been provided with complaints resolution training through the OHS courses.	5
14	N/A	Schedule 3 Clause 3.2(d)	The licensee must provide an appropriate system to monitor and record the number, nature of and outcomes to complaints.	NR	4	The Complaint Register has been developed and is kept at the front counter.  The audit confirmed with the Shire's EHO that there were no sewerage related customer complaints received by the Shire over the audit period.	5
15	N/A	Schedule 3 Clause 3.4	The licensee must inform the customer of the option to refer a disputed complaint to the Department of Water.	NR	N/A	Shire of Lake Grace is a Local Government Agency so this is not applicable.	N/A
16	N/A	Schedule 3 Clause 3.10	The licensee must inform the customer of the option to refer a disputed complaint to the Department of Water unless the complaint is a matter that relates to section 3.22 of the <i>Local Government Act 1995</i> .	NR	4	The audit confirmed with the Shire's EHO that there were no sewerage related customer complaints received by the Shire over the audit period.  The Customer Service Charter outlines process in regards to enquiries, suggestions, complaints and disputes.	N/R
17	N/A	Schedule 3 Clause 3.6	The licensee must co-operate with the Department of Water's request for information	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

No <sup>2</sup>	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)
			concerning a disputed complaint.			The audit confirmed with the Shire's EHO that during the audit period, there were no such requests received from the Department of Water.	
18	N/A	Schedule 3 Clause 3.7	The licensee must, on request, provide complaints details to the Department of Water.	NR	4	The audit confirmed with the Shire's EHO that there were no sewerage related customer complaints received by the Shire over the audit period.  The audit confirmed with the Shire's EHO that during the audit period, there were no such requests received from the Department of Water.	N/R
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 Lake Grace's Customer Service Charter was approved by the Authority on 23 November 2009.	5
20	N/A	Schedule 3 Clause 2.5	The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence.	2	3	The audit confirmed through sighting that the charter is prominently displayed at the Shire's reception, and through discussion with the Shire's EHO that the charter is provided upon request and at no charge to customers.  In addition, the audit confirmed that the Customer Service Charter is available to customers on the website.  The Shire's EHO advised that the Shire send out a notification advising the availability of the Customer Service Charter to all ratepayers in conjunction with the Rate Notices each year.	5
21	N/A	Schedule 3 Clause 2.6	The licensee must review its Customer Service Charter at least once in every three year	2	5	The previous charter was approved by the Authority in July 2006. The charter was due for review by 30 November 2009. The Shire of Lake Grace submitted the first draft of its charter	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)
			period.			<p>to the Authority for approval on 26 July 2009 and the final version of its charter on 16 November 2009. The revised charter was approved by the Authority on 23 November 2009.</p> <p>The Shire's Compliance Deadlines Schedule is in place. However the Schedule does not include the required timeframe for the next Customer Service Charter review.</p> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>Update the Compliance Deadlines Schedule with the required timeframe for the next Customer Service Charter review.</li> </ul> <p><i>(Post Audit Implementation Plan item 1.1)</i></p>	
22	N/A	Schedule 3 Clause 2.7	The licensee must provide its services consistent with its Customer Service Charter.	2	4	<p>The audit confirmed that the Shire provide its services consistent with its Customer Service Charter.</p> <p>The charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to the Shire's customers.</p>	5
23	N/A	Clause 8	The licensee must establish customer consultation processes as set out in Schedule 3.	NR	4	The audit confirmed with the Shire's 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	NR	4	The audit confirmed with the Shire's EHO that the Shire holds annual meetings in the town to discuss community concerns and seek feedback on the Shire's services generally. Also, articles are placed in the local newspaper.	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)
			or run other public forums, concerning the licensed activities.			The Shire also allows its customers to raise matters of concern regarding the sewerage system at public question time during the Lake Grace Council meetings.	
25	N/A	Schedule 3 Clause 4.2	The licensee must consult the Authority on the type and extent of consultation to be adopted by the licensee.	NR	4	<p>The Shire's Customer Service Charter states that community involvement in the Shire's service planning and decision making processes will be sought through forums such as focus groups, customer surveys, and display at local functions. The Shire will use local media bulletins to advise customers of any system changes that may result in significant variation in its service levels.</p> <p>The revised Shire of Lake Grace Customer Service Charter for Wastewater Services was approved by the Authority on 23 November 2009. The Shire has advised that it placed advertisements twice in the local newspaper. The advertisements advised the public of the Shire's intention to review the charter and called for public submissions. No public submissions were received.</p>	5
26	N/A	Schedule 3 Clause 4.3	The licensee must, if at the request of the Authority, establish other forums for consultations, to enable community involvement in issues relevant to licence obligations.	NR	4	The audit confirmed with the Shire's EHO that during the audit period, there were no such requests received from the Authority.	N/R
27	N/A	Schedule 3 Clause 4.4	The licensee must hold season opening and closing public meetings, and the	NR	N/A	Not applicable.	N/A

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)
			agenda must cover at least season opening and closing conditions, tariffs and scheme operation.				
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 Lake Grace Council meetings.	5
30	N/A	Schedule 3 Clause 5.1	The licensee may enter into an agreement with a customer to provide water services that may exclude, modify or restrict the terms of the licence.	NR	4	The audit confirmed with the Shire's EHO that no such agreements have been entered into over the audit period.	N/R
31	N/A	Schedule 3 Clause 5.4	The licensee must publish a report annually that includes the specified information.	NR	4	The audit confirmed with the Shire's EHO that no agreements that may exclude, modify or restrict the terms of the licence have been entered into over the audit period.	N/R
32	N/A	Schedule 3 Clause 6	The licensee must conduct a customer survey if directed by the Authority.	NR	4	The audit confirmed with the Shire's EHO that during the audit period, there were no such directions received from the Authority.	N/R



No <sup>2</sup>	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)
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 Lake Grace prepares a comprehensive Annual Report for the whole of the Shire, which is independently audited by a certified auditor.  The audit sighted the Shire's Financial Report for the year ended 30 <sup>th</sup> June 2011, including an Independent Audit Report.	5
42	Water Services Licensing Act Section 37	Clause 16.2	The licensee must comply and require the licensee's auditor to comply with the Authority's Standard Audit Guidelines, minimum requirements regarding appointment of the auditor, scope of audit, conduct of the audit and reporting of the audit.	NR	4	The Shire's Audit Plan –Water Services Operating Licence – Operational Audit and Asset Management System Review, dated 30 November 2011, stipulates compliance requirements on auditors.	5
43	Water Services Licensing Act Section 36	Clause 17.1	The licensee must provide for and notify the Authority of its asset management system within 2 business days from the licence commencement date unless notified in writing by the Authority.	2	5	The licence commencement date was 21 May 1997. The Authority was notified of the Shire's asset management system back then.	5
44	Water	Clause 17.2	The licensee must notify the	2	5	The Compliance Schedule has been developed and	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)
	Services Licensing Act Section 36		Authority of any changes to its asset management system within 10 business days from the date of change.			<p>implemented. 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 Asset Management Plan (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 of 10 business days is not specified.</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>▪ Update the Asset Management Plan - Monitoring and Review Procedures section for the requirement to notify the Authority of any changes to the asset management system within 10 business days. <i>(Post Audit Implementation Plan item 1.2)</i></li> <li>▪ Note the required timeframe for the notification of the asset management system changes to the Authority in the Compliance Deadlines Schedule. <i>(Post Audit Implementation Plan item 1.1)</i></li> </ul>	
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	NR	4	The Audit Plan - Operational Audit and Asset Management System Review dated 30 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)
			review, conduct of the review and reporting of the outcomes of the review.				
46	N/A	Clause 18.1	The licensee must report to the Authority if it is under external administration within 2 business days or significant change in its financial or technical circumstances within 10 business days.	2	5	There were no events to be notified in the audit period.	N/R
47	N/A	Clause 21.1	The licensee must provide any information the Authority may require in connection with its functions under the Act.	2	3	In addition to the reporting requirements under the Water Compliance Reporting Manual, the Shire provided an update of the post-audit implementation plan (PAIP) in respect of the 2008 performance audit and asset management system review of the Shire's water services operating licence to the Authority. The Authority acknowledged the receipt of the update of the 2008 PAIP in a letter to the Shire dated 5 <sup>th</sup> July 2011 and noted that the Shire has concluded all of the actions in the 2008 PAIP.	5
48	N/A	Clause 21.2	The licensee must comply with the information reporting requirements as set out in Schedule 5.	2	3	In accordance with the Water Compliance Reporting Manual May 2011, the Shire is required to submit to the Authority: <ul style="list-style-type: none"> <li>Annual performance reports no later than 31 July for the reporting year ending 30 June; and</li> <li>Annual compliance reports by 31 August for the year ending 30 June.</li> </ul> The audit reviewed the Shires Compliance and Performance	2

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
						<p>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"> <li>• Compliance Report for the year ended 30 June 2010 was submitted after the due date.(within 2 months); and</li> <li>• Compliance Report for the year ended 30 June 2011 was submitted after the due date (within 2 months).</li> </ul> <p>The Shire has developed and implemented the Compliance Schedule with the annual performance and compliance reporting due dates included in the schedule of events.</p> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>▪ The Shire should ensure that all future Compliance Reports are submitted to the Authority within the timeframes required.</li> </ul> <p><i>(Post Audit Implementation Plan item 1.3)</i></p>	
49	N/A	Clause 22.2 and 22.4	The licensee must publish relevant information directed to do so by the Authority within 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	<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)
-	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	<p>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.</p> <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
-	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 Lake Grace has complied with its Water Services Operating Licence performance and quality standards and obligations during the audit period 1<sup>st</sup> December 2008 to 30<sup>th</sup> November 2011 with the exception of a minor non-compliance as follows:

- not providing the 2010 and 2011 Compliance Reports to the Authority by the due date.

The audit reviewed the action taken on previous audit recommendations in the previous audit report dated August 2009 and confirmed that all recommendations had been implemented.

The audit noted the following opportunities for further improvements:

- ensure that compliance reports are provided to the Authority by the due dates;
- update the Compliance Deadlines Schedule to include the due dates for asset management reviews/operational audits and Customer Charter Review, and advice to the Authority of changes to the asset management system; and
- update the Asset Management Plan to notify the Authority of any changes to the asset management system within 10 business days.

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

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

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

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

Asset Management  
System Review –  
Detailed Report

Final Report

May 2012

## 4. Asset Management System Review

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

This included evaluating the key processes of:

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

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

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

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



#### 4.1 Summary of Asset Management System Ratings

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

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

ASSET MANAGEMENT SYSTEM	Process and policy definition rating				Performance rating				
	Inadequate	Requires significant improvement	Requires some improvement	Adequately defined	Serious action required (4)	Corrective action required (3)	Opportunity for improvement (2)	Performing effectively (1)	Not Rated
Key Processes									
1. Asset planning				A				1	
2. Asset creation/ acquisition				A					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				1	
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	<b>Asset Planning</b> Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	The AMP does not adequately address the asset planning processes.	1	Amend the AMP to include additional information on the asset planning process.	<i>EHO to amend the AMP by 31 January 2010.</i>	Asset Management Plan revised in February 2011.	COMPLETED
2.2	<b>Asset Planning</b> Non-asset options (e.g. demand management) are considered.	Although there are very limited opportunities in a small town scheme, consideration should be included in the AMP.	1	Identify the potential non-asset options to manage demand and include in AMP.	<i>EHO to amend the AMP by 31 January 2010.</i>	Included in revised AMP.	COMPLETED
2.3	<b>Asset Planning</b> Lifecycle costs of owning and operating assets are assessed	The AMP does not include the lifecycle costs of the pipe network.	1	Identify and document asset lifecycle costs for all assets and include in AMP.	<i>EHO to amend the AMP by 31 January 2010.</i>	Included in revised AMP.	COMPLETED
2.4	<b>Asset Planning</b> Plans are regularly reviewed and updated.	Plans have been reviewed approximately every 3 years, but should be reviewed annually.	2	Revise the AMP (January 2009 version) and include deficiencies in asset planning, creation/acquisition and disposal.	<i>EHO to amend the AMP by 31 January 2010.</i>	Included in revised AMP.	COMPLETED
2.5	<b>Asset Disposal</b> Under-utilised and	The AMP includes discussion on the	1	Create and implement a process for identifying	<i>EHO to amend the AMP by 31</i>	Included in revised AMP.	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	under-performing assets are identified as part of a regular systematic review process.	Pumps and treatment assets, but little information on the pipe network and no information on regular performance reviews.		the capacity of all assets, performance monitoring process and record past performance. Include in AMP.	<i>January 2010.</i>		
2.6	<b>Asset Disposal</b> The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	The AMP includes some discussion on replacement options for the current assets, but limited information on performance.	1	Create and implement a review process for when under or poor performing assets are identified and include in AMP.	<i>EHO to amend the AMP by 31 January 2010.</i>	Included in revised AMP.	COMPLETED
2.7	<b>Asset Disposal</b> There is a replacement strategy for assets.	A replacement strategy for all assets has not been developed. The AMP includes some discussion on forecasting replacement of the older assets.	1	Create and implement a replacement strategy for all assets and include in AMP.	<i>EHO to amend the AMP by 31 January 2010.</i>	Included in revised AMP.	COMPLETED
2.8	<b>Asset Maintenance</b> Failures are analysed and operation/maintenance plans adjusted where necessary.	Failures are informally analysed, but no records kept of the outcomes or further corrective actions/work.	2	Document and regularly review a maintenance plan for assets including emergency, corrective and preventative measures.	<i>Works Manager to review maintenance plan and record failure analysis by 31 January 2010.</i>	Included in revised AMP and supporting Asset Management Information System (AMIS) installed in December 2010.	COMPLETED
2.9	<b>Asset Management information System</b>	No AMIS in place.	1	Purchase/ develop Asset Management software and roll over all asset	<i>EHO to implement the ERA AMIS tools by 31</i>	Asset Management Information System (AMIS) installed in	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	Adequate system documentation for users and system operators.			data to one system.	<i>December 2010.</i>	December 2010.	
2.10	<b>Asset Management information System</b> 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 to implement the ERA AMIS tools by 31 December 2010.</i>	Included in revised AMP.	COMPLETED
2.11	<b>Asset Management information System</b> Logical security access controls appear adequate, such as passwords.	No AMIS in place.	0	Ensure Asset management Information System can only be accessed by authorised persons.	<i>EHO to implement the ERA AMIS tools by 31 December 2010.</i>	System installed on Shire server with password protection.	COMPLETED
2.12	<b>Asset Management information System</b> 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 to implement the ERA AMIS tools by 31 December 2010.</i>	Shire offices have physical security.	COMPLETED
2.13	<b>Asset Management information System</b> Data backup procedures appear adequate.	No AMIS in place.	0	Create and implement backup procedure for asset data.	<i>EHO to implement the ERA AMIS tools by 31 December 2010.</i>	AMIS installed in December 2010.	COMPLETED
2.14	<b>Asset Management information System</b>	No AMIS in place.	0	Create and implement procedures for	<i>EHO to implement the ERA AMIS</i>		COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	Key computations related to licensee performance reporting are materially accurate.			producing regular reports to monitor assets and link to licence obligations.	<i>tools by 31 December 2010.</i>		
2.15	<b>Asset Management information System</b> Management reports appear adequate for the licensee to monitor licence obligations.	No AMIS in place.	1	Create and implement procedures for producing regular reports to monitor assets and link to licence obligations.	<i>EHO to implement the ERA AMIS tools by 31 December 2010.</i>	AMIS installed in December 2010. Maintenance Plans and other reporting is from the Excel spreadsheets.	COMPLETED
2.16	<b>Risk Management</b> The probability and consequences of asset failure are regularly assessed.	Included in the AMP review, but should have a risk register that is reviewed on a more regular basis than once a year.	1	Create and document risk register including the treatment and consequences of asset failure. Include in AMP.	<i>EHO to amend the AMP by 31 January 2010.</i>	Included in revised AMP.	COMPLETED
2.17	<b>Review of Asset Management System</b> A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.	AMP has been updated (Revision 3) recently. However, some information still lacking and past reviews have been sporadic.	2	Create an asset management review procedure to ensure system is reviewed regularly.	<i>EHO to amend the AMP by 31 January 2010.</i>	Included in revised AMP.	COMPLETED

### 4.3 Review Results and Recommendations

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating <sup>3</sup>	A	Performance Rating <sup>4</sup>	1
1	<b>ASSET PLANNING</b>				
1.1	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	<p>The Shire of Lake Grace Asset Management Plan – February 2011 (AMP) includes the following mission statement: “The mission of the Shire of Lake Grace in providing this service is to provide cost effective wastewater collection, treatment and disposal services for the town of Lake Grace, which meets community expectations for health and environmental management”.</p> <p>The Levels of Service requirements for customers are detailed in the Customer Service Charter.</p> <p>Additionally, the levels of service and performance parameters have been defined in the AMP.</p>			
1.2	Service levels are defined.	The Shire of Lake Grace AMP was sighted. The goal, objective and level of service are stated in the AMP.			
1.3	Non-asset options (e.g. demand management) are considered.	The assets are considered appropriate for the current levels of demand.			
1.4	Lifecycle costs of owning and operating assets are assessed.	<p>The life cycle costs have been budgeted for in the Annual Capital Investment Budget and the Annual Operations and Maintenance Budget.</p> <p>The Shire has sufficient reserves to ensure it can maintain and upgrade the sewerage scheme in the Lake Grace townsite when required.</p>			
1.5	Funding options are evaluated.	<p>The Shire maintains a Sewerage Reserve to meet major capital upgrades/replacement of key infrastructure. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Lake Grace Sewerage Scheme.</p> <p>The Shire charges annual rates that include expenditure on the sewerage scheme.</p>			
1.6	Costs are justified and cost drivers identified.	The analysis assumes that assets will be replaced at the end of their standard economic life. The forecast lifecycle asset replacement program is included in the Annual Capital Investment Budget Excel spreadsheet. The plan also			

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

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

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		states operational and maintenance costs. Demand is stable with no new connections expected in the short term.			
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.			
<b>2</b>	<b>ASSET CREATION/ ACQUISITION</b>	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.	The New Asset Creation Plan outlined in the AMP states that there are no new assets that have been identified and none are included in the Financial Management software module.			
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, health and safety and environmental requirements.			
<b>3</b>	<b>ASSET DISPOSAL</b>	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 sewerage system, and all assets are performing as intended. No disposals are planned.			
3.2	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	The system is meeting demand and working close to capacity. As such there are no plans to dispose of any major assets in the foreseeable future.  Should asset condition assessment reveal under-performing assets or the service level change dramatically; an asset disposal plan will be required, to ensure that the process is correctly undertaken.			
3.3	Disposal alternatives are evaluated.	Assets at the end of their life will be replaced with a similar capacity and the old asset dumped or recycled for scrap			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		as appropriate. The condition of assets is inspected every 12 months or two years depending upon the rate of deterioration and consequences of asset failure. Sighted Performance and Condition Assessment spreadsheet.			
3.4	There is a replacement strategy for assets.	An asset renewal and replacement plan assumes replacing assets at the end of their effective life, if required. This is budgeted for in the Capital Works Schedule of the AMP which contains the planned replacement dates. The Reserve Fund has been established to meet major capital upgrades/replacement of key infrastructure.			
<b>4</b>	<b>ENVIRONMENTAL ANALYSIS</b>	Process Rating	A	Performance Rating	1
4.1	Opportunities and threats in the system environment are assessed.	Appendix E "Risk and SWOT Analysis" of the Shire's Customer Service Charter outlines the risks, strengths and weaknesses, opportunities and threats in regards to the Lake Grace sewerage system.			
4.2	Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved.	The levels of service and performance parameters are clearly defined in the AMP. They include availability, capacity, continuity, odour control, and emergency response. Annual Performance Report sighted for 2008/09, 2009/10 and 2010/11. Performance standards have been met.			
4.3	Compliance with statutory and regulatory requirements.	<p>The Asset Management Plan identifies the following regulatory requirements:</p> <ul style="list-style-type: none"> <li>▪ Water Services Licensing Act 1995;</li> <li>▪ Local Government Act 1995;</li> <li>▪ Environmental Protection Act 1986;</li> <li>▪ Occupational Safety and Health Act 1984; and</li> <li>▪ Occupational Safety and Health Regulations 1996.</li> </ul> <p>The AMP also requires compliance with the Water Services Licencing Act 1995 Licence Number IL/22 valid until 29<sup>th</sup> April 2021. Compliance with the regulatory requirements is being monitored by the Shire's EHO and audited as required under the operating licence by the independent auditor.</p>			
4.4	Achievement of customer service levels.	Compliance reports have been submitted for the past 3 years. No complaints have been received. Customer service levels are being met.			
<b>5</b>	<b>ASSET OPERATIONS</b>	Process Rating	A	Performance Rating	1
5.1	Operational policies and procedures are documented and linked to service levels required.	The Asset Management Plan includes an overview of the operations of the system. The manufacturers' operating instructions/manuals are kept and used by the plumber and maintenance staff.			



Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
5.2	Risk management is applied to prioritise operations tasks.	<p>The AMIS includes asset risk assessments for all components of the system within its spreadsheets. The AMP also incorporates emergency procedures on how to deal with those situations when they occur.</p> <p>Overall, the risk assessment for asset operations is very basic. The potential risks were identified based on many years of experience with the system and the Shire's staff awareness of what can go wrong with the system.</p>			
5.3	Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and accounting data.	<p>The current Asset Register includes details on:</p> <ul style="list-style-type: none"> <li>▪ Asset Number;</li> <li>▪ Description;</li> <li>▪ Dimensions/ type;</li> <li>▪ Construction materials/ model;</li> <li>▪ Construction date; and</li> <li>▪ Replacement Value</li> </ul> <p>for access chambers, pipes, treatment plant, pump station and effluent re-use.</p> <p>The assets' location is documented on the maps.</p> <p>The condition assessment for other assets is outlined in the separate Asset Condition and Performance 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 AMP outlines the current human resources required to support the plan as follows:</p> <ul style="list-style-type: none"> <li>▪ Works Manager</li> <li>▪ EHO</li> <li>▪ Administrative Support Officer.</li> <li>▪</li> </ul> <p>The Lake Grace wastewater scheme is a simple system, which requires a basic level of asset management to maintain it in an effective condition.</p>			
<b>6</b>	<b>ASSET MAINTENANCE</b>	Process Rating	A	Performance Rating	1
6.1	Maintenance policies and procedures are documented and linked to service levels required.	The Asset Management Plan includes a section on Maintenance Planning. This is effectively an overview of the maintenance practices.			
6.2	Regular inspections are undertaken of	Overall, the maintenance is geared towards preventative maintenance. This will ensure that the system continues to operate effectively and any deterioration in the condition of an asset is picked up in time to ensure proper planning of			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	asset performance and condition.	replacement or renewal.			
6.3	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	A comprehensive Routine Maintenance Plan has been prepared and included as Appendix C to the AMP.			
6.4	Failures are analysed and operational/maintenance plans adjusted where necessary.	Any asset failures are reviewed annually as part of the Shire's annual budget preparation and considered in the budgets and operational/maintenance plans.			
6.5	Risk management is applied to prioritise maintenance tasks.	<p>The AMIS includes asset risk assessments for all components of the system within its spreadsheets. The AMP also incorporates emergency procedures on how to deal with those situations when they occur.</p> <p>Overall, the risk assessment for asset operations is very basic. The potential risks were identified based on many years of experience with the system and the Shire's staff awareness of what can go wrong with the system.</p>			
6.6	Maintenance costs are measured and monitored.	Maintenance costs are tracked through the FMIS and actual/budget reporting each month.			
<b>7</b>	<b>ASSET MANAGEMENT INFORMATION SYSTEM</b>	Process Rating	A	Performance Rating	1
7.1	Adequate system documentation for users and IT operators.	<p>The asset system is managed via spreadsheets. These document the location of assets.</p> <p>The financial component of the system is managed by the Shire's financial officer through a system of paper and electronic programs. Procedures relating to account keeping, data security and back-up are outlined in general Shire procedures.</p>			
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	The system is regularly backed up as part of the standard IT maintenance procedures on a daily basis.			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	adequate.				
7.6	Key computations related to licensee performance reporting are materially accurate.	<p>Some Excel spreadsheets contains formulas such as, for example:</p> <ul style="list-style-type: none"> <li>- In the Risk Assessment spreadsheet, inherent risk is automatically assigned from the likelihood and overall consequence scores;</li> <li>- In the Annual Capital Investment Budget spreadsheet and in the Annual Operations &amp; Maintenance Budget spreadsheet, the light blue cells are automatically calculated.</li> </ul> <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>			
<b>8</b>	<b>RISK MANAGEMENT</b>	Process Rating	A	Performance Rating	1
8.1	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	<p>The Risk Management Methodology is outlined in the AMP. The Risk Assessment spreadsheet has been completed and is included as Appendix B of the AMP. The Shire advises this will be reviewed annually as part of reviewing the AMP in April/May each year.</p>			
8.2	Risks are documented in a risk register and treatment plans are actioned and monitored.	<p>The Risk Assessment has been sighted. There is a detailed risk register assessing the risks of asset failure and non-compliance with licence obligations with mitigation actions and contingency strategies.</p> <p>A Contingency Plan (overall management plans) and staff are available to deal rapidly with identified risks.</p> <p>Control measures are in place to deal with identified risks.</p>			
8.3	The probability and consequences of asset failure are regularly assessed.	<p>The Risk Assessment has been sighted. It includes the probability and consequences of asset failure and non-compliance with licence obligations.</p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating		Performance Rating	
<b>9</b>	<b>CONTINGENCY PLANNING</b>		C		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"> <li>• 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.</li> </ul> <p>The contingency plans should include:</p> <ul style="list-style-type: none"> <li>○ Detailed procedures</li> <li>○ Key local contact details – name, number and location</li> <li>○ Communication protocols</li> <li>○ Specifications, location and availability of emergency equipment</li> <li>○ Authorities that need to be contacted and when.</li> </ul> <ul style="list-style-type: none"> <li>• 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.</li> </ul> <p><i>(Post Audit Implementation Plan item 2.1)</i></p>			
<b>10</b>	<b>FINANCIAL PLANNING</b>		A		1
10.1	The financial plan states the financial objectives and strategies and actions to achieve the objectives.	The Asset Management Plan details the Capital Expenditure Plan. A Sewerage Reserve has been created to fund the capital expenditure. Operational and maintenance costs are covered by rates charged.			
10.2	The financial plan identifies the source of funds for capital expenditure and recurrent costs.	The Shire maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Lake Grace Sewerage Scheme. Operational and maintenance costs are covered by rates charged.			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
10.3	The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	<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 Lake Grace 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 Lake Grace 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 (February 2011) notes that the Shire has enough rates income for the sewerage scheme to cover the operational, maintenance and capital costs of replacement over the life of the scheme.</p>			
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	The AMP includes revenue predictions for the next 5 years.			
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 budgeted balance of \$452,992 at 30 June 2011 with approximately \$45,000 transferred into the reserve each year which to date, covers the annual annuity of \$57,704 estimated in the AMP from 2011/12 to replace assets over their lifecycle up to 2062.</p> <p>The rates collected each year for the scheme cover the average operations and maintenance cost over the next 5 years.</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 and monitored by management and the Council.			
<b>11</b>	<b>CAPITAL EXPENDITURE PLANNING</b>	Process Rating	A	Performance Rating	1
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	The AMP has a capital expenditure plan.			
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.			
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	There is a process to review and update the financial plan in the Asset Management Plan each year as part of the annual budget preparation.			
<b>12</b>	<b>REVIEW OF ASSET MANAGEMENT SYSTEM</b>	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>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 Plan provides for reissue every 5 years and annual updates in May each year.</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 25/3/11. 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><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>• Update the Asset Management Plan - Monitoring and Review Procedures section for the requirement to notify the Authority of any changes to the asset management system within 10 business days. <i>(Post Audit Implementation Plan item 1.2)</i></li> <li>• 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 2.2)</i></li> </ul>			
12.2	Independent reviews (e.g. internal audit) are performed of the asset management system.	An independent review is performed every 3 years as required by the licence.			

#### 4.4 Conclusion

The review of the Asset Management System has shown that the processes are well defined and that Shire staff are familiar with the requirements of the system and apply them in the day to day operations and maintenance of the system.

The review confirmed that all recommendations in the previous review report dated August 2009 had been implemented. A new Asset Management Plan and supporting database system have been implemented.

The following new issue was noted:

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

The review recommended that the Shire:

- develop detailed contingency plans and review/test these on an annual basis; and
- a minor improvement is to include a summary of changes in the document history in the Asset Management Plan.

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

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

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

## Appendix A: Post Audit Implementation Plan

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
<b>1</b>	<b>Operational Audit</b>				
1.1 (items 5, 6 and 44)	<p><b>Compliance Schedule</b></p> <p>The Shire has developed and implemented the Compliance Deadlines Schedule. However the Schedule does not include all of the regulatory requirements, including:</p> <ul style="list-style-type: none"> <li>• Asset Management System Review due date;</li> <li>• Operational Audit due date;</li> <li>• Review of Customer Service Charter and</li> <li>• Notification to the Authority of changes to the asset management system.</li> </ul>	Low	<p>Note the required timeframes for the following in the Compliance Deadlines Schedule to ensure regulatory timeframes are met:</p> <ul style="list-style-type: none"> <li>• Asset Management System Review (external);</li> <li>• Operational Audit (external);</li> <li>• Review of Customer Service Charter; and</li> <li>• Changes to asset management system to be notified to the Authority within 10 business days.</li> </ul>	Compliance schedule will be updated.	EHO 30 <sup>th</sup> April 2012
1.2 (Item 44)	<p><b>Notify Changes to Asset Management System</b></p> <p>The Compliance Deadlines Schedule has been developed and implemented. 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 Asset Management Plan (AMP) was issued in February 2011. Although, the Legislative</p>	Low	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.	The Asset Management Plan will be updated.	EHO 31 <sup>st</sup> May 2012



No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	Requirements section of the AMP refers to the requirement to notify any changes to the system to the Authority, the required timeframe of 10 business days is not specified.				
1.3  (item 48)	<p><b>Compliance and Performance Reporting</b></p> <p>In accordance with the Water Compliance Reporting Manual May 2011, the Shire is required to submit to the Authority:</p> <ul style="list-style-type: none"> <li>• Annual performance reports no later than 31 July for the reporting year ending 30 June; and</li> <li>• Annual compliance reports by 31 August for the year ending 30 June.</li> </ul> <p>The audit reviewed the Shire's 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"> <li>• Compliance Report for the year ended 30 June 2010 was submitted after the due date.(within 2 months); and</li> <li>• Compliance Report for the year ended 30 June 2011 was submitted after the due date (within 2 months).</li> </ul> <p>The Shire has developed and implemented the Compliance Schedule with the annual performance and compliance reporting due dates included in the</p>	Medium	The Shire should ensure that all future Compliance Reports are submitted to the Authority within the timeframes required.	Noted and included in Compliance Schedule.	EHO Completed

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	schedule of events.				
<b>2</b>	<b>Asset Management System Review</b>				
2.1	<p><b>Contingency Planning</b></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"> <li>o Detailed procedures</li> <li>o Key local contact details – name, number and location</li> <li>o Communication protocols</li> <li>o Specifications, location and availability of emergency equipment</li> <li>o Authorities that need to be contacted and when.</li> </ul> <p>b) Once developed, the contingency</p>	Detailed contingency plans will be developed, including annual review.	EHO 30 <sup>th</sup> June 2012

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
			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.		
2.2	<p><b>Review of Asset Management System</b></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 25/3/11. 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>	Low	Modify the "Document Status" table to include a brief description of changes to the document from the previous version.	The AMP will be updated.	EHO 31 <sup>st</sup> May 2012

END OF REPORT