



Shire of Dalwallinu
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

The Shire of Dalwallinu 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 Dalwallinu.

The sewerage scheme is operated by the Shire of Dalwallinu. The scheme was established in 1969 and provides sewerage services to the town of Dalwallinu. The scheme consists of 4.2 km of earthenware sewerage pipe reticulation, and a waste treatment plant, serving 242 properties and a population of approximately 650 people.

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

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

OPERATIONAL AUDIT

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

- not complying with the performance standard of having fewer than 40 blockages per 100km of sewer main per year in 2008/09, 2009/10 and 2010/11 (although the number per year is declining); and
- not providing the 2011 Performance Report to the Authority by the due date (minor non-compliance).

The audit reviewed the action taken on previous audit recommendations in the audit report issued in March 2009 and confirmed that out of the 6 previous audit recommendations, 4 have been completed, 1 is no longer applicable and 1 has been partially completed. This demonstrates that there has been an improvement in compliance with the licence conditions. The partially completed issue is:

- the Monitoring and Review Procedures section of the Asset Management Plan has not been updated for the requirement to notify the Authority of any changes to the asset management system within the required timeframe and to include a document history section.

The audit recommended that the Shire:

- ensure that the number of blockages is reduced in order to meet the performance standard;
- submit performance reports to the Authority by the due date; and
- update the Asset Management Plan to notify the Authority of any changes to the asset management system within 10 business days; and to include a Document History section in the Asset Management Plan to track changes.

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

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

ASSET MANAGEMENT SYSTEM REVIEW

The review of the Asset Management System has shown that the processes are 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 out of 5 previous recommendations in the report dated March 2009, 4 have been completed and 1 is outstanding. The outstanding issue was as follows:

- there has been no testing of the contingency plans.

The following new issues were noted:

- the condition of assets is regularly inspected but not recorded in the Asset Register;
- the Asset Management Plan (AMP) has not been updated for the operating licence issued in May 2009 by the Authority;
- the contact details in the Wastewater Operation and Maintenance Manual need to be updated;
- the financial plan in the AMP (for capital, operational and maintenance expenditure) for the next 5 years has not been reviewed/updated since 2007/08; and
- the Asset Management Plan has not been reviewed since the last update in November 2009 and has some out-of-date content.

The review recommended that the Shire:

- record the asset condition assessment in the Asset Register at least annually when reviewing the Asset Management Plan;
- update the AMP with the requirements in the 2009 operating licence;
- update the contact details in the Wastewater Operation and Maintenance Manual;
- review/test the contingency plans on an annual basis or when major changes occur;
- review and update the financial plan and capital expenditure plan in the AMP; and
- review and update the AMP on an annual basis, advises any changes to the Authority within 10 business days and provides a summary of the changes in a document history section of the plan.

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

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

Audit Opinion

Report on the Operational Audit of the Water Services Operating Licence

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

Respective Responsibilities

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

Limitations

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

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

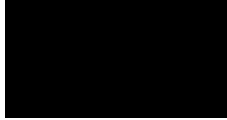
Auditor's Qualified Opinion

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

- not complying with the performance standard of having fewer than 40 blockages per 100km of sewer main per year in 2008/09, 2009/10 and 2010/11 (although the number per year is declining).

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 21 MAY 2012

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

Operational Audit and
Asset Management
System Review
- Introduction

Final Report

May 2012

1. Background

The Shire of Dalwallinu 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 Dalwallinu.

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 sewerage scheme is operated by the Shire of Dalwallinu. The scheme was established in 1969 and provides sewerage services to the town of Dalwallinu. The scheme consists of 4,200 metres of earthenware sewerage pipe reticulation, and a waste treatment plant, serving 242 properties and a population of 650 approximately.

The sewerage treatment plant operates on a gravity system via 150mm earthenware mains to the Imhoff Tank. Decanted waste water, containing suspended solids gravity feeds to the oxidation lagoon. Waste water gravity feeds out of the oxidation lagoon via an open concrete spoon drain to the pump pit located at the primary lagoon, where it is pumped to either of the secondary lagoons. The pump station draws water from either secondary lagoon for subsequent storage into the holding dam for on-use. The current retention time for the system is 48 hours, which enables sufficient time to address any major malfunctions. The Shire advised that to date, no major malfunctions had occurred.

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

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

2. Methodology

2.1 Objectives and Scope

2.1.1 Operational Audit

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

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

The scope of the audit covered the following:

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

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

2.1.2 Asset Management System Review

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

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

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

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

2.2 Audit Period and Timing

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

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

2.3 Licensee's Representatives Participating in the Audit

- Debbie Fortuin - Community Services Manager (CSM).

2.4 Key Documents Examined

- Shire of Dalwallinu Water Services Operating Licence 14, Version 2 dated 15 May 2009
- Audit Report - Shire of Dalwallinu Water Licence Operational Audit and Asset Management Review dated 17 March 2009
- Post Audit Implementation Plan - Shire of Dalwallinu Water Licence Operational Audit and Asset Management Review dated 17 March 2009
- Shire of Dalwallinu - Customer Service Charter for Wastewater Services (updated November 2009)
- Shire of Dalwallinu Annual Report for 2008/2009 and 2009/2010
- Shire of Dalwallinu Sewerage Scheme Compliance Schedule
- Sewerage System Defect Reports for the years 2008/09, 2009/10 and 2010/11
- Asset Management Plan Dalwallinu Town Sewerage Scheme (updated November 2009)
- Performance Reports to the Authority for the years ended 30 June 2009, 2010 and 2011
- Compliance Reports to the Authority for the years ended 30 June 2009, 2010 and 2011
- Correspondence between the Shire and the Authority
- Dalwallinu Operating Area (Sewerage and Non-potable water supply services) Plan No. OWR-OA-029
- Shire of Dalwallinu Sewerage Scheme Plans
- Shire of Dalwallinu Waste Water Assets Management System Asset Register spreadsheet
- Shire of Dalwallinu Wastewater Operation and Maintenance Manual, updated January 2007.

2.5 Operational Audit - Compliance Ratings

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

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

2.6 Asset Management System Review - Effectiveness Ratings

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

Asset management process and policy definition - Adequacy ratings

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

Asset management process - Performance ratings

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

2.7 Audit Team and Hours

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

Shire of Dalwallinu
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. ¹	Operating Licence Compliance Element	Operating Licence reference (Cl.=clause, Sch.=schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (Low, Medium, High)	Adequacy of existing controls (S=strong, M=moderate, W=weak)	Compliance Rating (1=significantly non-compliant, 2=non-compliant, 3=compliant, 4=compliant, 5=compliant, N/A = not applicable, N/R = not rated)							
							1	2	3	4	5	N/A	N/R	
WATER SERVICES LICENSING ACT 1995														
1	General duty to provide services	n/a	1	C	Low	Strong						✓		
2	Regulations prescribing standard of service	Cl. 19	3	B	High	Moderate	✓							
3	Asset Management System	Cl. 17.1	2	C	Medium	Moderate						✓		
4	Notify changes to Asset Management System	Cl. 17.2	1	C	Low	Moderate							✓	
5	Review of Asset Management System	Cl. 17.3	1	C	Low	Strong						✓		
6	Operational Audit	Cl. 16.1	1	C	Low	Strong						✓		
7	Comply with Performance Standards (emergency response, complaints, continuity and overflows)	Cl. 20.1	3	B	High	Moderate	✓							
WATER COORDINATION REGULATIONS 1996														
8	Payment of fees	Cl. 4.1	1	C	Low	Strong							✓	
OTHER LICENCE CONDITIONS														
9	Customer complaints process	Cl. 6.1	2	B	Medium	Strong						✓		
10	<i>N/A to local government</i>	Sch.3, Cl. 3.1	N/A	N/A	N/A	N/A						✓		
11	Customer complaints resolution	Sch.3, Cl. 3.8	2	B	Medium	Strong							✓	
12	Staff trained to respond to complaints	Sch.3 Cl.3.2(b)	N/A	N/A	N/A	N/A						✓		
13	Staff authorised to make decisions on complaints	Sch.3 Cl.3.9(b)	1	C	Low	Strong						✓		
14	Complaints system	Sch.3 Cl.3.2(d)	2	B	Medium	Strong						✓		
15	<i>N/A to local government</i>	Sch.3 Cl.3.4	N/A	N/A	N/A	N/A						✓		
16	Option to refer complaint to Dept. of Water	Sch.3 Cl.3.10	2	B	Medium	Strong							✓	
17	Must co-operate with Dept. of Water	Sch.3 Cl.3.6	2	C	Medium	Strong							✓	
18	Provide details to Dept. of Water	Sch.3 Cl.3.7	2	C	Medium	Strong							✓	

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

No. ¹	Operating Licence Compliance Element	Operating Licence reference (Cl.=clause, Sch.=schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (Low, Medium, High)	Adequacy of existing controls (S=strong, M=moderate, W=weak)	Compliance Rating (1=significantly non-compliant, 2=non-compliant, 3=compliant, 4=compliant, 5=compliant, N/A = not applicable, N/R = not rated)								
							1	2	3	4	5	N/A	N/R		
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	Strong							✓		
22	Services consistent with Charter	Sch.3 Cl. 2.7	2	C	Medium	Moderate							✓		
23	Customer consultation process	Cl. 8	2	C	Medium	Strong							✓		
24	Customer Council or at least two other forums	Sch.3 Cl. 4.1	2	C	Medium	Strong							✓		
25	Consult the Authority on type and extent of customer consultation	Sch.3 Cl. 4.2	2	C	Medium	Strong							✓		
26	If requested, establish other forums	Sch.3 Cl. 4.3	2	C	Medium	Strong									✓
27	<i>Not applicable (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 May 2009 is summarised below.

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
1.1 (n/a)	Incident Reporting The requirement to report incidents was removed from water licences in May 2009.	As per the Schedule 3 Reports, the Shire of Dalwallinu reported one sewerage overflow attributable to a blockage or failure in the licensee's infrastructure for 2007/08. However, as confirmed through discussion with the Shire's EHO the Shire of Dalwallinu did not report this overflow to the Authority within 5 days of its occurrence.	2	Inform the Authority of any sewerage overflows from wastewater/ sewerage infrastructure, including wastewater treatment plants, pumping stations etc. within five days of their occurrence. Develop and implement a compliance schedule with timeframes for incident reporting noted in the schedule to ensure regulatory timeframes are met in case of overflows occurring.	<i>A compliance schedule will be developed and implemented.</i> EHO 31 May 2009	No longer applicable - No action required.	CLOSED
1.2 (item 48)	Information Reporting Requirements The licensee must comply with the information reporting requirements as set	The audit confirmed that the licensee had produced the annual performance reports for 2006/07 and 2007/08. However, the Shire's EHO was not able to find a copy of the 2005/06 annual performance report, which should have been completed by the	3	Develop and implement a compliance schedule with timeframes for annual performance report submission included as part of the schedule of events to	<i>A compliance schedule will be developed and implemented.</i> <i>Documentation explaining where and how to source the</i>	The Compliance Schedule has been developed and implemented, with the annual performance and compliance reporting due dates included.	COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	out in Schedule 5.	<p>previous EHO.</p> <p>Audit noted that the annual performance reports for 2006/07 and 2007/08 were submitted within the required time. However, there is no system in place to ensure the timely submission of reports and the submission of reports is purely reactionary to the reminder received from the Authority.</p> <p>The information for the reports comes from a variety of sources. However, information as to where and how to source the required data is not documented.</p>		<p>ensure regulatory timeframes are met. The compliance schedule will also help to meet regulatory timeframes by the replacement staff in case of the Shire's EHO unavailability due to leave or illness.</p> <p>Create documentation to explain where and how to source the required information; and file and keep copies of the source information together with a copy of the Schedule 3 Annual Performance Report to allow easier checking of the validity of the results.</p>	<p><i>required information will be created; and copies of the source information will be filed and kept together with the Annual Performance Report.</i></p> <p>EHO</p> <p>31 May 2009</p>	<p>The Compliance Schedule also includes references on how and where to source the required information.</p>	
1.3 (item 13)	<p>Customer Complaints</p> <p>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</p>	<p>As advised by the Shire's EHO no complaints resolution training was provided to Shire's staff and staff learned complaints resolution skills predominantly on the job.</p>	4	<p>Provision of formal complaints resolution training could be of a benefit to the Shire's staff.</p>	<p><i>Complaints training will be arranged.</i></p> <p>EHO</p> <p>30 June 2009</p>	<p>The Shire's Manager of Works is responsible for resolving complaints relating to the operation of the Shire's sewerage scheme and associated infrastructure. The Manager of Works has received formal</p>	COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	complaints.					complaint resolution training whilst employed at the Shire of Carnarvon.	
1.4 (items 4, 5 & 44)	<p>Asset Management System</p> <p>The licensee must notify the Authority of any changes to its asset management system within 10 business days from the date of change.</p> <p>The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an independent expert report, acceptable to the Authority, on the effectiveness of the Asset management System.</p>	<p>The Shire of Dalwallinu Asset Management Plan (AMP) has been updated in October 2008.</p> <p>The cover of the AMP states that the document was created in 1998 and updated in October 2008, however the AMP does not contain any provision on the frequency and procedures for the AMP review and update.</p> <p>The effectiveness of the asset management system is currently being audited and the final report will be provided to the Authority. However, we did not identify a process in place to ensure that the timeframes would be met. The implementation of the Asset Management System review was reactionary to a note sent by the Authority and not planned.</p>	4	<p>Update the AMP for details on frequency of the review and review procedures including the requirement to notify the Authority of any changes to the asset management system within the required timeframe as per the licence.</p> <p>Update the AMP for document history section which will detail in a tabular form the date of the review or update of the document, person who performed it and brief description of the changes to the document from previous version.</p> <p>Develop and implement a compliance schedule with the Asset Management System review dates included</p>	<p><i>The Asset Management Plan will be updated for review procedures to reflect the recommendation. A document history section will also be included.</i></p> <p><i>EHO</i></p> <p><i>31 August 2009</i></p> <p><i>A compliance schedule will be developed and implemented; and the required timeframes for the notification of the asset management system changes to the Authority noted in the schedule to</i></p>	<p>The Compliance Schedule has been developed and implemented with the Asset Management System review dates included. The Schedule also includes the required timeframes for the notification of the asset management system changes to the Authority.</p> <p>Although the AMP has been updated for details on frequency of the review, the requirement to notify the Authority of any changes to the asset management system within the required timeframe has not been included in the AMP.</p> <p>Also, the AMP has not been updated for the document history</p>	PARTLY COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
				<p>as part of the schedule of events to ensure regulatory timeframes are met.</p> <p>Note the required timeframes for the notification of the asset management system changes to the Authority in the compliance schedule to ensure regulatory timeframes are met in case of changes occurring in the asset management system.</p>	<p><i>reflect the recommendation.</i></p> <p>EHO</p> <p>31 May 2009</p>	<p>section.</p> <p><i>(Post Audit Implementation Plan item 1.2)</i></p>	
1.5 (item 6)	<p>Operational Audit</p> <p>The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an operational audit conducted by an independent expert, acceptable to the Authority.</p>	<p>This performance audit is now being undertaken.</p> <p>However, we did not identify a process in place to ensure that the timeframes would be met. The implementation of the Operational Audit was reactionary to a note sent by the Authority and not planned.</p>	4	<p>Develop and implement a compliance schedule with Operational Audit dates included as part of the schedule of events to ensure regulatory timeframes are met.</p>	<p><i>A compliance schedule will be developed and implemented.</i></p> <p>EHO</p> <p>31 May 2009</p>	<p>The Compliance Schedule has been developed and implemented with the Operational Audit dates included.</p>	COMPLETED
1.6 (items	<p>Customer Service Charter</p>	<p>The Shire of Dalwallinu provided a copy of the Customer Service</p>	4	<p>Develop and implement a</p>	<p><i>A compliance schedule will be</i></p>	<p>The Customer Service review dates and</p>	COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
20 & 21)	<p>The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence.</p> <p>The licensee must review its Customer Service Charter at least once in every three year period.</p>	<p>Charter that was updated in October 2008. The Shire's EHO confirmed that the only change from the previous version was the change of the Shire's CEO.</p> <p>The Shire of Dalwallinu Customer Service Charter published on the Authority's website has been reviewed in October 2006 and approved by the Authority on 3 November 2006.</p> <p>The audit found that the Shire of Dalwallinu has submitted their new charter for approval within an acceptable timeframe. However, we did not identify a process in place to ensure that the timeframes would be met. The review and submission of the Customer Service Charter was reactionary to a note sent by the Authority and not planned.</p> <p>Audit confirmed through sighting that the charter is prominently displayed at the office reception, and through the discussion with the Shire's EHO that the charter is provided upon request and at no charge to the customers. The charter is also available on the Shire's website.</p> <p>The Shire of Dalwallinu has provided a copy of its customer</p>		<p>compliance schedule with the Customer Service Charter review dates included as part of the schedule of events to ensure regulatory requirements are met.</p> <p>Note the Customer Service Charter annual notification requirement in the compliance schedule to ensure that customers are advised of the availability of the Customer Service Charter on an annual basis.</p>	<p><i>developed and implemented; and the Customer Service Charter annual notification requirement will be noted in the schedule to reflect the recommendation.</i></p> <p>EHO 31 May 2009</p>	<p>annual notification requirement have been incorporated into the Shire's Sewerage Scheme Compliance Schedule.</p>	

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
		<p>service charter advertisement published in the local newspaper advising its customers of the availability of the customer service charter at the Shire's office and on the Shire's website. However, this was done for the first time and no process is in place to ensure notification on annual basis.</p>					

3.3 Audit Results and Recommendations

No ²	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
DETAILED COMPLIANCE OBLIGATIONS							
LICENCE COMPLIANCE REQUIREMENTS – WATER SERVICES LICENSING ACT 1995							
1	Water Services Licensing Act Section 32(1)(a)	n/a	The licensee must provide the water service.	1	5	The audit confirmed that the Shire provides the water service.	5
2	Water Services Licensing Act Section 33	Clause 19	The Licensee must achieve prescribed standards as defined in the regulations.	2	2	The audit reviewed the Shire's Performance Reports for the year ended 30 June 2009, 2010 and 2011 and noted that the Shire complied with all performance standards except for the requirement to have fewer than 40 blockages per 100km of sewer main per year for each of the three years. Refer recommendation in item 7.	2
3	Water Services Licensing Act Section 36(1)(a)	Clause 17.1	The Licensee must have an Asset Management System in respect to the licensed activity.	2	4	The audit confirmed that the Asset Management System in respect to the licensed activity is in place.	5
4	Water	Clause	The Licensee must notify the	2	5	The audit confirmed with the Shire's Community Services	N/R

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

No ²	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
	Services Licensing Act Section 36(1)(b)	17.2	Authority of any changes to the Asset Management System.			Manager (CSM) that during the audit period, the Shire has made no material changes to the asset management system that would require notification to the Authority.	
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	The Asset Management System Review is now being undertaken and will be completed within the prescribed time. The Compliance Schedule has been developed and implemented with the Asset Management System review dates included.	5
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	The Operational Audit is now being undertaken and will be completed within the prescribed time. The Compliance Schedule has been developed and implemented with the Operational Audit dates included.	5
7	Water Services Licensing Act Section 38(2)	Clause 20.1	The licensee must comply with the performance standards set out in Schedule 4. <ul style="list-style-type: none"> Emergency telephone response system such that customers need only 	2	2	The audit reviewed the Shire's Performance Reports for the year ended 30 June 2009, 2010 and 2011 and noted that the Shire complied with all performance standards except for the requirement to have fewer than 40 blockages per 100km of sewer main per year. The exceptions were: <ul style="list-style-type: none"> In 2008/09, the Shire reported 15 sewer blockages, which 	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>make one call and they are advised of the nature and timing of action within one hour (Target is 90% of calls).</p> <ul style="list-style-type: none"> • 90% of complaints resolved within 15 business days. • Fewer than 40 blockages per 100km of sewer main per year • 90% of connected properties experience no sewerage overflows per year 			<p>represents a figure of 306 blockages per 100km of sewer main;</p> <ul style="list-style-type: none"> • In 2009/10, the Shire reported 6 sewer blockages, which represents a figure of 122 blockages per 100km of sewer main; and • In 2010/2011, the Shire reported 4 sewer blockages, which represents a figure of 81.6 blockages per 100km of sewer main. <p>The audit sighted copies of completed Sewerage System Defect Reports.</p> <p>The sewerage system dates back to the early 1970's and consists mostly of clay earthenware pipework.</p> <p>The Shire undertakes maintenance work on the sewer on a weekly basis via visual inspection of manholes and clearing using rods where necessary, to prevent the build-up of roots and debris that may lead to a blockage.</p> <p>The Shire also passes clearing rods through the whole system every six months.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ The Shire should ensure it complies with the prescribed performance standard re maximum number of blockages. <p><i>(Post Audit Implementation Plan item 1.1).</i></p>	

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
LICENCE COMPLIANCE REQUIREMENTS – WATER COORDINATION REGULATION 1996							
8	Water Services Coordination Regulations Section 2	Clause 4.1	The licensee must pay the applicable fees in accordance with the regulations.	N/R	5	The licence expires on 29 April 2021. The application for renewal of the licence is to be accompanied by the prescribed fee.	N/R
LICENCE COMPLIANCE REQUIREMENTS – LICENCE CONDITIONS							
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 Dalwallinu 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 Sewerage System Defect Reports received by the Shire over the audit period were all related to blockages. The Shire does not treat the sewerage blockages as customer complaints which is accepted. The audit confirmed with the Shire's CSM that there were no sewerage related customer complaints received by the Shire over the audit period.	N/R

No ²	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
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 Dalwallinu is a Local Government Agency so this is not applicable.	N/A
13	N/A	Schedule 3 Clause 3.9(b)	The licensee must provide one trained staff member who is authorised or has access to another officer who is authorised to make necessary decisions to respond to complaints.	NR	5	The Shire's Manager of Works is responsible for resolving complaints relating to the operation of the Shire's sewerage scheme and associated infrastructure. The Manager of Works has received formal complaint resolution training whilst employed at the Shire of Carnarvon.	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 audit confirmed with the Shire's CSM 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 Dalwallinu 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 CSM 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

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)
17	N/A	Schedule 3 Clause 3.6	The licensee must co-operate with the Department of Water's request for information concerning a disputed complaint.	NR	4	The audit confirmed with the Shire's CSM that there were no sewerage related customer complaints received by the Shire over the audit period. The audit confirmed with the Shire's CSM that during the audit period, there were no such requests received from the Department of Water.	N/R
18	N/A	Schedule 3 Clause 3.7	The licensee must, on request, provide complaints details to the Department of Water.	NR	4	The audit confirmed with the Shire's CSM that there were no sewerage related customer complaints received by the Shire over the audit period. The audit confirmed with the Shire's CSM 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 Dalwallinu's Customer Service Charter was approved by the Authority on 13 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	4	The audit confirmed through sighting that the charter is prominently displayed at the Shire's reception, and through discussion with the Shire's CSM 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 CSM 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. The audit confirmed this by sighting the	5

No ²	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
						information sent out to the customers with the latest Rate Notice. The Compliance Schedule includes the requirement to provide notification of the Customer Service Charter on an annual basis.	
21	N/A	Schedule 3 Clause 2.6	The licensee must review its Customer Service Charter at least once in every three year period.	2	5	The previous charter was approved by the Authority in November 2006 and was due for review by 30 November 2009. The revised Shire of Dalwallinu's Customer Service Charter was approved by the Authority on 13 November 2009.	5
22	N/A	Schedule 3 Clause 2.7	The licensee must provide its services consistent with its Customer Service Charter.	2	4	The audit confirmed that the Shire provide its services consistent with its Customer Service Charter. The charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to the Shire's customers.	5
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 CSM that an adequate customer consultation process has been established.	5
24	N/A	Schedule 3 Clause 4.1	The licensee may either establish a Customer Council or institute at least 2 of the following: establish a regular meeting; publish a newsletter or run other public forums, concerning the licensed	NR	4	The audit confirmed with the Shire's CSM that the Shire hold 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. The Shire also allows its customers to raise matters of concern regarding the sewerage system at public question	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)
			activities.			time during the Dalwallinu 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 Dalwallinu Customer Service Charter for Wastewater Services was approved by the Authority on 13 November 2009. The Shire has advised that it placed advertisements for three consecutive weeks 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 CSM that during the audit period, there were no such requests received from the Authority.	N/R
27	N/A	Schedule 3 Clause 4.4	The licensee must hold season opening and closing public meetings, and the agenda must cover at least season opening and closing	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)
			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 CSM 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 CSM that the Shire allows its customers to raise matters of concern regarding the sewerage system at public question time during the Dalwallinu 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 CSM 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 CSM 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 CSM that during the audit period, there were no such directions received from the Authority.	N/R
33 to	N/A	Clause 9	Memorandum of	2	N/A	Clause 9 is 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)
40			Understanding				
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 Dalwallinu prepares a comprehensive Annual Report for the whole of the Shire, which is independently audited by a certified auditor. The audit sighted the Shire's Financial Report for the year ended 30 th June 2010, including an Independent Audit Report.	5
42	Water Services Licensing Act Section 37	Clause 16.2	The licensee must comply and require the licensee's auditor to comply with the Authority's Standard Audit Guidelines, minimum requirements regarding appointment of the auditor, scope of audit, conduct of the audit and reporting of the audit.	NR	4	The Shire's Audit Plan –Water Services Operating Licence – Operational Audit and Asset Management System Review, dated 24 October 2011, stipulates compliance requirements on auditors.	5
43	Water Services Licensing Act Section 36	Clause 17.1	The licensee must provide for and notify the Authority of its asset management system within 2 business days from the licence commencement date unless notified in writing by the Authority.	2	5	The licence commencement date was 21 May 1997. The Authority was notified of the Shire's asset management system back then.	5
44	Water Services Licensing Act	Clause 17.2	The licensee must notify the Authority of any changes to its asset management system	2	5	The audit confirmed with the Shire's CSM that during the audit period, the Shire has made no significant changes to the asset management system.	N/R

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
	Section 36		within 10 business days from the date of change.			<p>The Compliance Schedule has been developed and implemented with the Asset Management System review dates included in the schedule of events. The schedule also includes the required timeframes for the notification of asset management system changes to the Authority.</p> <p>However, the Asset Management Plan has not been updated for the requirement to notify the Authority of any changes to the asset management system within the required timeframe.</p> <p>Moreover, the AMP has not been updated for the document history section.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Update the Asset Management Plan - Monitoring and Review Procedures section for the requirement to notify the Authority of any changes to the asset management system within 10 business days. ▪ Update the AMP for document history section which will detail in a tabular form the date of the review or update of the document, person who performed it and brief description of the changes to the document from previous version. <p><i>(Post Audit Implementation Plan item 1.2)</i></p>	
45	Water Services Licensing Act Section 36	Clause 17.4	The licensee must comply and require the licensee's expert to comply with the Authority's Standard Guidelines dealing	NR	4	The Audit Plan - Operational Audit and Asset Management System Review dated 24 October 2011 stipulates compliance requirements on auditors.	5

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			with the asset management system review including, minimum requirements, regarding appointment of the expert reviewer, scope of review, conduct of the review and reporting of the outcomes of the review.				
46	N/A	Clause 18.1	The licensee must report to the Authority if it is under external administration within 2 business days or significant change in its financial or technical circumstances within 10 business days.	2	5	No significant changes.	N/R
47	N/A	Clause 21.1	The licensee must provide any information the Authority may require in connection with its functions under the Act.	2	4	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 8 April 2010 and noted that as the Shire has concluded all of the actions in the 2008 PAIP, the Authority did not require the Shire to provide any further updates prior to the next audit.	5
48	N/A	Clause 21.2	The licensee must comply with the information reporting requirements as set out in	2	4	In accordance with the Water Compliance Reporting Manual May 2011, the Shire is required to submit to the Authority:	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)
			Schedule 5.			<ul style="list-style-type: none"> • Annual performance reports no later than 31 July for the reporting year ending 30 June; and • Annual compliance reports by 31 August for the year ending 30 June. <p>The audit reviewed the Shires Compliance and Performance Reports for the years ending 30 June 2009, 2010 and 2011 and relevant correspondence between the Shire and the Authority and noted following exception:</p> <ul style="list-style-type: none"> • Performance report for the year ended 30 June 2011 was submitted after the due date. <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. The Compliance Schedule also includes references on how and where to source the required information.</p> <p>The relevant due dates for the Performance and Compliance Reports are also included in the recurrent Corporate Calendar.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ The Shire should ensure that all future Performance Reports are submitted to the Authority within the timeframes required. <p><i>(Post Audit Implementation Plan item 1.3)</i></p>	

No ²	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
49	N/A	Clause 22.2 and 22.4	The licensee must publish relevant information directed to do so by the Authority within the specified timeframes.	NR	5	The audit confirmed with the Shire's CSM that during the audit period, no such directions were received from the Authority.	N/R
-	N/A	Schedule 6 Clause 2.1	The licensee must set out in writing its conditions for connection and make it available to people enquiring or applying for connection.	NR	4	The audit confirmed that the Shire provide its services consistent with its Customer Service Charter. The charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to the Shire's customers.	5
-	N/A	Schedule 6 Clause 2.2	The licensee must ensure that its services are available for connection on any land in the Operating Area subject to compliance with the Shire's conditions.	NR	4	The audit confirmed with the Shire's CSM that the services are available for connection on any land in the Operating Area subject to compliance with the Shire's conditions. The audit confirmed that the Shire provide its services consistent with its Customer Service Charter. The charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to the Shire's customers.	5
-	N/A	Schedule 6 Clause 2.3	The licensee may with the written agreement of the property owner discontinue a service where it is not commercially viable.	NR	4	The audit confirmed with the Shire's CSM 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 Dalwallinu has complied with its Water Services Operating Licence performance and quality standards and obligations during the audit period 1st December 2008 to 30th November 2011 with the exception of two non-compliances as follows:

- not complying with the performance standard of having fewer than 40 blockages per 100km of sewer main per year in 2008/09, 2009/10 and 2010/11 (although the number per year is declining); and
- not providing the 2011 Performance Report to the Authority by the due date (minor non-compliance).

The audit reviewed the action taken on previous audit recommendations in the audit report issued in March 2009 and confirmed that out of the 6 previous audit recommendations, 4 have been completed, 1 is no longer applicable and 1 has been partially completed. This demonstrates that there has been an improvement in compliance with the licence conditions. The partially completed issue is:

- the Monitoring and Review Procedures section of the Asset Management Plan has not been updated for the requirement to notify the Authority of any changes to the asset management system within the required timeframe and to include a document history section.

The audit recommended that the Shire:

- ensure that the number of blockages is reduced in order to meet the performance standard;
- submit performance reports to the Authority by the due date; and
- update the Asset Management Plan to notify the Authority of any changes to the asset management system within 10 business days; and to include a Document History section in the Asset Management Plan to track changes.

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

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

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

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

Asset Management
System Review –
Detailed Report

Final Report

May 2012

4. Asset Management System Review

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

This included evaluating the key processes of:

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

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

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

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

4.1 Summary of Asset Management System Ratings

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

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

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

4.2 Previous Review Recommendations

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

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
2.1	Environmental Analysis	The AMP section on Regulatory Requirements outlining the requirements of the operating licence for the sewerage services need to be updated in line with the new operating licence issued to the Shire of Dalwallinu on 6 th August 2008.	4	Update the Asset Management Plan in line with the requirements of the new operating licence for the sewerage services issued to the Shire of Dalwallinu on 6th August 2008.	<i>The Asset Management Plan will be updated to reflect the recommendations.</i> EHO 31 August 2009	The Plan was updated for the 2008 licence.	COMPLETED
2.2	Contingency Planning	Although the need for the annual awareness of staff likely to be involved in response to overflows has been stated in the wastewater treatment plant overflow contingency plan, there is no evidence of the Shire's emergency procedures testing being carried out to ensure that appropriate persons are aware of their responsibilities in case of the emergency.	0	Testing/assessment of the emergency procedures and contingency plan to be carried out 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. Written records of these tests/assessments should be kept with the appendices of the AMP.	<i>The contingency plans will 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.</i> EHO	The Shire advised that the contingency plans have been implemented as needed. Due to the limited nature of the sewerage scheme and small localised workforce the Shire does not see a need for regular (mock) contingency exercises. <u>Audit comment</u> <i>It is considered that there should be an annual desktop review of the contingency plan</i>	OUTSTANDING

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
					31 October 2009	<p>and briefing on the procedures for all staff involved in carrying out the Plan. Some evidence such as a Note of the Meeting and attendees should be documented.</p> <p><i>(Post Audit Implementation Plan item 2.3)</i></p>	
2.3	Asset Operations	<p>Apart from regular maintenance, the AMP does not define any formal process for assets' condition and performance review on a regular i.e. annual basis. As part of the regular asset management process, the assets in the system need to be regularly inspected.</p> <p>The audit reviewed the human resources outlined in the AMP as well as in the Wastewater Operation and Maintenance Manual and noted some discrepancies between the documents. Also, the audit noted that contact details of people involved in the scheme as outlined in the Operation and Maintenance Manual</p>	2	<p>Instigate a formalised system of asset appraisal on an annual basis, to assess the condition and performance of each asset. In conjunction with the physical assessment, a review should be undertaken of the assets in the system to ensure that they have the capability to meet performance requirements. The results of these assessments should be then used as a basis for capital expenditure and maintenance planning.</p> <p>Review the human resources and their</p>	<p><i>Assets will be appraised as part of the review of the AMP in April each year.</i></p> <p>EHO</p> <p>30 April 2009</p> <p><i>The Wastewater Operation and Maintenance Manual will be reviewed for consistency with the AMP and updated as necessary. Also for contact details.</i></p> <p>EHO</p>	<p>The Asset Management Plan and the Wastewater Operational and Maintenance Manual were reviewed and updated in November 2009.</p> <p>Assets are being inspected through the regular maintenance program undertaken each year.</p>	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
		need to be reviewed and updated. For example, Bill Atyeo is still identified as the Community Service Manager/EHO in the Manual. Peter Zenni is currently in this position.		responsibilities for all staff involved with the scheme as outlined in the AMP, as well as the Wastewater Operation and Maintenance Manual for current resources deployed and consistency between both documents. Update both documents accordingly. Review and update the Wastewater Operation and Maintenance Manual for the current contact details of all people involved with the scheme.	<i>30 April 2009</i>		
2.4	Asset Maintenance	As advised by the Shire's EHO, the Shire of Dalwallinu is currently not maintaining a consolidated and up to date training matrix for its staff. A staff matrix should identify existing staff competencies and identify the need for future training requirements. The Shire's EHO is aware of this issue and already raised it at a staff meeting as well as the OHS Committee meeting.	2	Develop and implement a consolidated and up to date training matrix identifying existing staff competencies as well as identifying future training requirements.	<i>A training matrix is being developed.</i> <i>EHO</i> <i>30 April 2009</i>	A training matrix was sighted during this audit.	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
2.5	Review of Asset Management System	<p>The operational audit and asset management system review identified that some sections of the AMP need to be updated to reflect current practices such as:</p> <ul style="list-style-type: none"> o Update the Regulatory Requirements section of the Asset Management Plan in line with the requirements of the new operating licence for the sewerage services issued to the Shire of Dalwallinu on 6th August 2008, and to document all current regulatory requirements. o Review the human resources and their responsibilities for all staff involved with the scheme as outlined in the AMP as well as the Wastewater Operation and Maintenance Manual for current resources deployed and for consistency between both 	2	<p>The Asset Management Plan be reviewed annually and reissued when changes occur. The maintenance, capital expenditure plans and financial plans shall be revised annually.</p> <p>Keep track of all reviews of the AMP.</p> <p>Update the sections of the Asset Management Plan identified by the operational audit and the asset management system review as requiring amendment.</p>	<p><i>AMP is generally reviewed in April of each year in the development of the following annual Shire budget.</i></p> <p><i>The track of all reviews of the AMP will be kept by the Shire.</i></p> <p><i>The sections of the Asset management Plan identified as requiring amendment will be updated to reflect the recommendation.</i></p> <p><i>EHO</i></p> <p><i>31 August 2009</i></p>	<p>The Asset Management Plan and the Wastewater Operational and Maintenance Manual were reviewed and updated in November 2009.</p>	CLOSED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
		<p>documents. Update both documents accordingly.</p> <ul style="list-style-type: none"> o Review and update the Wastewater Operation and Maintenance Manual for current contact details of all people involved with the scheme. 					

4.3 Review Results and Recommendations

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating ³	A	Performance Rating ⁴	1
1	ASSET PLANNING				
1.1	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	<p>The Shire of Dalwallinu Asset Management Plan – November 2009 (AMP) includes the following mission statement: “The mission of the Shire of Dalwallinu in providing this service is to provide cost effective wastewater collection, treatment and disposal services for the town of Dalwallinu, 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 Dalwallinu 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.	The costs of upgrading or replacing of current sewerage scheme assets have been budgeted for in the Capital Works Schedule of the AMP. Operation and maintenance costs are budgeted for in the Operational and Maintenance – Income and Expenditure schedule of the AMP.			
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 Dalwallinu 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.			
1.7	Likelihood and consequences of asset	The analysis assumes that assets will be replaced at the end of their standard economic life.			

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

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

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	failure are predicted.				
1.8	Plans are regularly reviewed and updated.	The AMP is reviewed in April of each year in the development of the annual Shire budget for the following year.			
2	ASSET CREATION/ ACQUISITION	Process Rating	A	Performance Rating	N/R
2.1	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	No new assets are shown on the Capital Investment Budget. Only replacement of existing components as they reach the end of their life.			
2.2	Evaluations include all life-cycle costs.	No new assets are shown on the Capital Investment Budget.			
2.3	Projects reflect sound engineering and business decisions.	No new assets are shown on the Capital Investment Budget.			
2.4	Commissioning tests are documented and completed.	No new assets acquired.			
2.5	Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	Section 2.3 of the AMP outlines the legislative requirements.			
3	ASSET DISPOSAL	Process Rating	A	Performance Rating	N/R
3.1	Under-utilised and under-performing assets are identified as part of a regular systematic review process.	<p>This is a small sewerage system, and all assets are performing as intended. No disposals are planned.</p> <p>The condition of assets is regularly inspected as part of the annual maintenance programme. Details of the inspection and any comments are recorded in the two Maintenance Registers, Pool Maintenance Book and Irrigation Maintenance Book. The site diaries (which are completed on site for each day of use) are stored at the Shire Administration Centre along with any site Audit Sheets that have been completed. The condition assessment should also be recorded in the Asset Register at least annually when reviewing the overall AMP.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Record the asset condition assessment in the Asset Register at least annually when reviewing the Asset Management Plan. (Post Audit Implementation Plan item 2.1) 			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
3.2	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	<p>The system is meeting demand and working close to capacity. As such there are no plans to dispose of any major assets in the foreseeable future.</p> <p>Should asset condition assessment reveal under-performing assets or the service level change dramatically; an asset disposal plan will be required, to ensure that the process is correctly undertaken.</p>			
3.3	Disposal alternatives are evaluated.	<p>Assets at the end of their life will be replaced with a similar capacity and the old asset dumped or recycled for scrap as appropriate.</p>			
3.4	There is a replacement strategy for assets.	<p>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.</p> <p>The Reserve Fund has been established to meet major capital upgrades/replacement of key infrastructure.</p>			
4	ENVIRONMENTAL ANALYSIS	Process Rating	A	Performance Rating	2
4.1	Opportunities and threats in the system environment are assessed.	<p>There is not a specific section in the AMP on opportunities and threats for the system, but there is a section on the existing environment that describes external factors, and opportunities and threats in the system have been further discussed in the Operational Planning section of the AMP and in the Supporting Notes to the Capital Expenditure Plan.</p>			
4.2	Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved.	<p>Annual Performance Report sighted for 2008/09, 2009/10 and 2010/11. Refer comments in Operational Audit section re performance standards for blockages not being met.</p>			
4.3	Compliance with statutory and regulatory requirements.	<p>The Asset Management Plan identifies the following Acts and regulations whilst identifying no specific requirements from any of them:</p> <ul style="list-style-type: none"> ▪ Local Government Act; ▪ Environmental Protection Act; ▪ Occupational Safety and Health Act; and ▪ Occupational Safety and Health Regulations. <p>Compliance with statutory and regulatory requirements is being monitored by the Shire's CSM.</p> <p>The AMP section on Regulatory Requirements outlining the requirements of the operating licence for the sewerage services needs to be updated in line with the 2009 operating licence issued to the Shire of Dalwallinu.</p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<p>Recommendation:</p> <ul style="list-style-type: none"> Update the Asset Management Plan in line with the requirements of the 2009 operating licence for the sewerage services issued to the Shire of Dalwallinu by the Authority. <p><i>(Post Audit Implementation Plan item 2.2)</i></p>			
4.4	Achievement of customer service levels.	Compliance reports have been submitted for the past 3 years. No complaints have been received.			
5	ASSET OPERATIONS	Process Rating	A	Performance Rating	2
5.1	Operational policies and procedures are documented and linked to service levels required.	<p>Practices covering operating rules are documented in the Wastewater Operation and Maintenance Manual as well as the overview in the AMP.</p> <p>The audit reviewed the human resources outlined in the Wastewater Operation and Maintenance Manual and noted some inaccuracies in the contact details of people involved in the scheme.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Review and update the Wastewater Operation and Maintenance Manual for current contact details of people involved with the scheme. <p><i>(Post Audit Implementation Plan item 2.3)</i></p>			
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 Description of Asset System section of the AMP clearly identifies the key components forming part of the Dalwallinu sewerage scheme including part numbers and service capacities. The AMP also includes a plan of the asset, layout for the wastewater treatment plant and pumping stations, and a reticulation layout identifying specific reticulation mains highlighted as separate assets.</p> <p>The current Asset Register includes details on:</p> <ul style="list-style-type: none"> Asset Number; Asset type; Capacity; 			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<ul style="list-style-type: none"> ▪ Year commissioned; ▪ Assumed economic life; ▪ Estimated replacement year; ▪ Replacement cost; ▪ Condition rating; ▪ Importance rating; and ▪ Role of asset. <p>Accounting data is recorded in the Shire's Financial Information Management System.</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"> ▪ Environmental Health Officer ▪ Sanitation Officer ▪ General Hands (2). <p>A Works Staff Training Matrix is maintained that lists staff and training required/completed.</p>			
6	ASSET MAINTENANCE	Process Rating	A	Performance Rating	1
6.1	Maintenance policies and procedures are documented and linked to service levels required.	Practices covering maintenance are well documented in the Wastewater Operation and Maintenance Manual.			
6.2	Regular inspections are undertaken of asset performance and condition.	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 replacement or renewal.			
6.3	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	Maintenance is regularly performed on assets. There are two Maintenance Registers, Pool Maintenance Book and Irrigation Maintenance Book. The site diaries (which are completed on site for each day of use) are stored at the Shire Administration Centre along with any site Audit Sheets that have been completed. Monthly chlorine testing is also recorded in the maintenance register, as well as the weekly test of all distribution pumps.			
6.4	Failures are analysed and operational/maintenance plans adjusted	Any asset failures are reviewed annually as part of the Shire's annual budget preparation and considered in the budgets and operational/maintenance plans.			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	where necessary.				
6.5	Risk management is applied to prioritise maintenance tasks.	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. 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.			
6.6	Maintenance costs are measured and monitored.	Maintenance costs are tracked through the FMIS and actual/budget reporting each month.			
7	ASSET MANAGEMENT INFORMATION SYSTEM	Process Rating	A	Performance Rating	1
7.1	Adequate system documentation for users and IT operators.	The asset system is managed via spreadsheets. These document the location of assets. 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.			
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 CSM's PC which restricts access to authorised Shire officers.			
7.4	Physical security access controls appear adequate.	The Shire offices are locked and alarmed outside of hours.			
7.5	Data backup procedures appear adequate.	The system is regularly backed up as part of the standard IT maintenance procedures on weekly basis.			
7.6	Key computations related to licensee performance reporting are materially accurate.	Audit tested the accuracy of computations used for performance reporting on a sample basis and confirmed the computations tested were accurate.			
7.7	Management reports appear adequate for the licensee to monitor licence obligations.	Apart from printing the Excel spreadsheets out, there is no ability to create management reports. However, the functionality of the suite of Excel spreadsheets provided by the Authority to Shires for asset			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		management planning purposes appears to be adequate for the Shire's needs.			
8	RISK MANAGEMENT	Process Rating	A	Performance Rating	1
8.1	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	The AMP includes a Risk Assessment. The Shire advises this will be reviewed annually as part of reviewing the AMP in April/May each year.			
8.2	Risks are documented in a risk register and treatment plans are actioned and monitored.	<p>The risks are documented in the Asset Risk Assessment spreadsheet including the probability and consequences of asset failure and mitigation plans.</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.	The risks are documented in the Asset Risk Assessment spreadsheet including the probability and consequences of asset failure and mitigation plans.			
9	CONTINGENCY PLANNING	Process Rating	B	Performance Rating	2
9.1	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	<p>The AMP incorporates emergency procedures on how to deal with risk situations when they occur.</p> <p>The more detailed contingency plan for overflows at the wastewater treatment plant is outlined in the Shire of Dalwallinu Wastewater Operation and Maintenance Manual including prevention, preparedness, response, and recovery.</p> <p>Although the need for annual awareness of staff likely to be involved in response to overflows has been stated in the Wastewater Treatment Plant Overflow Contingency Plan, there is no evidence of the Shire's emergency procedures testing being carried out to ensure that appropriate persons are aware of their responsibilities in case of emergency.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ Test/review the emergency procedures and contingency plan at least annually or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency. The test could be a desktop review of the plan by the participants. 			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<p style="color: red;">Written records of the tests/review should be kept with the appendices of the AMP. (Post Audit Implementation Plan item 2.4)</p>			
10	FINANCIAL PLANNING	Process Rating	B	Performance Rating	3
10.1	The financial plan states the financial objectives and strategies and actions to achieve the objectives.	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 Dalwallinu Sewerage Scheme. Operational and maintenance costs are covered by rates charged.			
10.3	The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	<p>The financial plan in the Asset Management Plan has not been updated since 2006/07. There is a separate Financial Plan (spreadsheet) with actuals for 2007/08 and forecast costs for the next 10 years. However, the operational, maintenance and capital costs are likely to be out-of-date.</p> <p style="color: red;">Recommendation:</p> <ul style="list-style-type: none"> <li style="color: red;">▪ The financial plan in the Asset Management Plan needs to be reviewed and updated for capital (replacement cost), operational and maintenance costs for at least the next 5 years. Also, updated annually if there are any major changes to the scheme or costs. <li style="color: red;">▪ The capital expenditure plan also needs to be updated. <p style="color: red;">(Post Audit Implementation Plan item 2.5)</p>			
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	Operating expenditure on the scheme is covered by rates charged to ratepayers.			
10.5	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	<p>A separate Sewerage Reserve account is maintained and has a balance of \$246,225 at 30 June 2010 with approximately \$50,000 transferred into the reserve each year.</p> <p>The AMP estimates capital expenditure of \$120,503 over the 10 years from 2006/07 to 2015/06 (2006 \$). The later 2007 Financial Plan estimates expenditure of \$356,396 over 10 years from 2008/09. This appears to be covered by the reserve funds and the transfers in and out. However, the financial plan is out-of-date and should be reviewed and updated. Refer item 10.3 above.</p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
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 reviewed by the CEO and Shire Council.			
11	CAPITAL EXPENDITURE PLANNING	Process Rating	B	Performance Rating	3
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	The forecast lifecycle asset replacement program is included in the financial plan in the Asset Management Plan but it is out-of-date as noted in Section 10 above.			
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 consistent with the asset life and condition identified in the asset management plan.	The capital expenditure plan would appear to be consistent with the estimated replacement year. In reality some assets will fail earlier than the standard life and some assets will remain useful beyond the standard replacement life. As noted in item 3.1, the condition of assets needs to be recorded in the Asset Register at least annually.			
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	There is not an adequate process to review and update the capital expenditure plan in the Asset Management Plan. However, a review of the next year's expenditure is part of the annual budget preparation. Refer recommendation in section 10.3 above.			
12	REVIEW OF ASSET MANAGEMENT SYSTEM	Process Rating	B	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>The Shire of Dalwallinu Asset Management Plan (AMP) has been updated in November 2009.</p> <p>The cover of the AMP states that the document was created in 1998 and updated in 2009. However, much of the content has not been updated. Also, the AMP does not contain any provision on the frequency and procedures for the AMP review and update.</p> <p>The AMP is currently under review by the CSM.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Review the Asset Management Plan annually and reissue when changes occur. The maintenance, capital 			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<p>expenditure plans and financial plans should be revised annually.</p> <ul style="list-style-type: none"> ▪ Update the AMP for details on frequency of the review and review procedures including the requirement to notify the Authority of any changes to the asset management system within 10 business days. ▪ Keep track of all reviews of the AMP in a document history section. <p><i>(Post Audit Implementation Plan item 2.6)</i></p>
12.2	Independent reviews (e.g. internal audit) are performed of the asset management system.	An independent review is performed every 3 years as required by the licence.

4.4 Conclusion

The review of the Asset Management System has shown that the processes are well defined and 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 out of 5 previous recommendations in the report dated March 2009, 4 have been completed and 1 is outstanding. The outstanding issue was as follows:

- There has been no testing of the contingency plans.

The following new issues were noted:

- the condition of assets is regularly inspected but not recorded in the Asset Register;
- the Asset Management Plan (AMP) has not been updated for the operating licence issued in May 2009 by the Authority;
- the contact details in the Wastewater Operation and Maintenance Manual need to be updated;
- the financial plan in the AMP (for capital, operational and maintenance expenditure) for the next 5 years has not been reviewed/updated since 2007/08; and
- the Asset Management Plan has not been reviewed since the last update in November 2009 and has some out-of-date content.

The review recommended that the Shire:

- record the asset condition assessment in the Asset Register at least annually when reviewing the Asset Management Plan;
- update the AMP with the requirements in the 2009 operating licence;
- update the contact details in the Wastewater Operation and Maintenance Manual;
- review/test the contingency plans on an annual basis or when major changes occur;
- review and update the financial plan and capital expenditure in the AMP; and
- review and update the AMP on an annual basis, advise any changes to the Authority within 10 business days and provide a summary of the changes in a document history section of the plan.

The key components of the infrastructure including the pump stations and treatment ponds were inspected and found to be well-maintained and in reasonable 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
1	Operational Audit				
1.1 (items 2 and 7)	<p>Performance Standards</p> <p>The audit reviewed the Shire's Performance Reports for the year ended 30 June 2009, 2010 and 2011 and noted that the Shire complied with all performance standards except for the requirement to have fewer than 40 blockages per 100km of sewer main per year. The exceptions were:</p> <ul style="list-style-type: none"> In 2008/09, the Shire reported 15 sewer blockages, which represents a figure of 306 blockages per 100km of sewer main; In 2009/10, the Shire reported 6 sewer blockages, which represents a figure of 122 blockages per 100km of sewer main; and In 2010/2011, the Shire reported 4 sewer blockages, which represents a figure of 81.6 blockages per 100km of sewer main. <p>The audit sighted copies of completed Sewerage System Defect Reports.</p> <p>The sewerage system dates back to the early 1970's and consists mostly of clay earthenware pipework.</p> <p>The Shire undertakes maintenance work on the</p>	Medium	The Shire should ensure it complies with the prescribed performance standard re maximum number of blockages.	<i>The Shire will endeavour to meet the prescribed performance. However the main cause of blockages is mostly due to tree roots. The majority of the sewer constitutes earthenware pipes and given the dry climate, tree roots will always find their way into the sewer and cause blockages. The Shire is progressively attempting to replace sections of the sewer with non-earthenware pipes in areas where problems persist.</i>	<i>Works Supervisor ongoing</i>

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	<p>to submit to the Authority:</p> <ul style="list-style-type: none"> Annual performance reports no later than 31 July for the reporting year ending 30 June; and Annual compliance reports by 31 August for the year ending 30 June. <p>The audit reviewed the Shires Compliance and Performance Reports for the years ending 30 June 2009, 2010 and 2011 and relevant correspondence between the Shire and the Authority and noted following exception:</p> <ul style="list-style-type: none"> Performance report for the year ended 30 June 2011 was submitted after the due date. <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. The Compliance Schedule also includes references on how and where to source the required information.</p> <p>The relevant due dates for the Performance and Compliance Reports are also included in the recurrent Corporate Calendar.</p>		required.	<i>Calendar.</i>	
2	Asset Management System Review				
2.1	<p>Asset Disposal</p> <p>Under-utilised and under-performing assets should be identified as part of a regular systematic review process.</p>	Low	Record the asset condition assessment in the Asset Register at least annually when reviewing the Asset Management Plan.	<i>The Asset Register will be updated annually as part of the review of the AMP.</i>	<i>CSM Aug 2012 and annually thereafter</i>

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	<p>The condition of assets is regularly inspected as part of the annual maintenance programme. Details of the inspection and any comments are recorded in the two Maintenance Registers, Pool Maintenance Book and Irrigation Maintenance Book. The site diaries (which are completed on site for each day of use) are stored at the Shire Administration Centre along with any site Audit Sheets that have been completed.</p> <p>The condition assessment should also be recorded in the Asset Register at least annually when reviewing the overall AMP.</p>				
2.2	<p>Environmental Analysis</p> <p>The Asset Management Plan identifies the following Acts and regulations whilst identifying no specific requirements from any of them:</p> <ul style="list-style-type: none"> ▪ Local Government Act; ▪ Environmental Protection Act; ▪ Occupational Safety and Health Act; and ▪ Occupational Safety and Health Regulations. <p>The AMP section on Regulatory Requirements outlining the requirements of the operating licence for the sewerage services needs to be updated in line with the 2009 operating licence issued to the Shire of Dalwallinu by the Authority.</p>	Low	Update the Asset Management Plan in line with the requirements of the 2009 operating licence for the sewerage services issued to the Shire of Dalwallinu by the Authority.	<i>AMP will be updated</i>	CSM <i>Dec 2012</i>
2.3	<p>Asset Operations</p> <p>Practices covering operating rules are documented</p>	Low	Review and update the Wastewater Operation and Maintenance Manual for current contact details of people	AMP will be updated	<i>Admin Officer July 2012</i>

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	<p>in the Wastewater Operation and Maintenance Manual as well as the overview in the AMP.</p> <p>The audit reviewed the human resources outlined in the Wastewater Operation and Maintenance Manual and noted some inaccuracies in the contact details of people involved in the scheme.</p>		involved with the scheme.		
2.4	<p>Contingency Planning</p> <p>Contingency plans should be documented, understood and tested to confirm their operability and to cover higher risks.</p> <p>The Asset Management Plan incorporates emergency procedures on how to deal with risk situations when they occur.</p> <p>The more detailed contingency plan for overflows at the wastewater treatment plant is outlined in the Shire's Wastewater Operation and Maintenance Manual including prevention, preparedness, response, and recovery.</p> <p>Although the need for annual awareness of staff likely to be involved in response to overflows has been stated in the Wastewater Treatment Plant Overflow Contingency Plan, there is no evidence of the Shire's emergency procedures testing being</p>	Medium	<p>Test/review the emergency procedures and contingency plan at least annually or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency. The test could be a desktop review of the plan by the participants.</p> <p>Written records of the tests/review should be kept with the appendices of the AMP.</p>	<p><i>A desk top exercise will be held this year in line with the recommendations and recorded.</i></p>	<p><i>Management Team Dec 2012</i></p>

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	carried out to ensure that appropriate persons are aware of their responsibilities in case of emergency.				
2.5	<p>Financial and Capital Expenditure Plans</p> <p>The financial plan in the Asset Management Plan has not been updated since 2006/07. There is a separate Financial Plan (spreadsheet) with actuals for 2007/08 and forecast costs for the next 10 years. However, the operational, maintenance and capital costs are likely to be out-of-date.</p> <p>Similarly, the Capital Expenditure Plan over the life of the scheme has not been updated.</p>	High	<p>a) The financial plan in the Asset Management Plan needs to be reviewed and updated for capital (replacement cost), operational and maintenance costs for at least the next 5 years. Also, updated annually if there are any major changes to the scheme or costs.</p> <p>b) The capital expenditure plan also needs to be updated.</p>	<p><i>All financial assets are currently being reviewed. The review includes the sewage scheme. The AMP will be updated as soon as the review is completed as per the recommendations</i></p>	<p><i>Deputy Chief Executive Officer (DCEO)</i></p> <p><i>Aug 2012</i></p>
2.6	<p>Review of Asset Management System</p> <p>The Shire of Dalwallinu Asset Management Plan (AMP) has been updated in November 2009.</p> <p>The cover of the AMP states that the document was created in 1998 and updated in 2009. However, much of the content has not been updated. Also, the AMP does not contain any provision on the frequency and procedures for the AMP review and update.</p> <p>The AMP is currently under review by the CSM.</p>	High	<p>a) Review the Asset Management Plan annually and reissue when changes occur. The maintenance, capital expenditure plans and financial plans should be revised annually.</p> <p>b) Update the AMP for details on frequency of the review and review procedures including the requirement to notify the Authority of any changes to the asset management system within 10 business days.</p> <p>c) Keep track of all reviews of the</p>	<p><i>As above, the review will be conducted annually and the AMP updated accordingly – as per the recommendations</i></p> <p><i>The AMP will be updated as per recommendation</i></p> <p><i>All reviews will be documented as per</i></p>	<p><i>DCEO/CSM Aug 2012 and annually thereafter</i></p> <p><i>CSM Dec 2012</i></p>

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
			AMP in a document history section.	<i>recommendations</i>	<i>CSM ongoing</i>

END OF REPORT