



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

Operational Audit and
Asset Management
System Review

Final Report

May 2012

TABLE OF CONTENTS

Executive Summary	1
Audit Opinion.....	3
1. Background.....	5
2. Methodology	6
2.1 Objectives and Scope	6
2.2 Audit Period and Timing.....	7
2.3 Licensee’s Representatives Participating in the Audit.....	7
2.4 Key Documents Examined.....	7
2.5 Operational Audit - Compliance Ratings.....	8
2.6 Asset Management System Review - Effectiveness Ratings	8
2.7 Audit Team	9
3. Operational Audit	11
3.1 Summary of Compliance Ratings.....	11
3.2 Previous Audit Recommendations.....	14
3.3 Audit Results and Recommendations.....	16
3.4 Recommended Changes to the Licence.....	30
3.5 Conclusion.....	30
4. Asset Management System Review.....	32
4.1 Summary of Asset Management System Ratings	33
4.2 Previous Review Recommendations	34
4.3 Review Results and Recommendations	44
4.4 Conclusion.....	54
Appendix A: Post Audit Implementation Plan	55

Executive Summary

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

The Jerramungup sewerage scheme was originally constructed during 1978. The scheme is operated by the Shire of Jerramungup and includes a gravity reticulation system, a treatment plant and an effluent re-use scheme. The scheme provides sewerage services to the town population of approximately 400 people. The scheme collects and treats approximately 22,000m³ of residential and commercial effluent and re-uses treated and disinfected effluent on spray irrigation of the town's sports ovals.

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

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

- The compliance report for 2009/10 was submitted to the Authority after the due date.

The audit reviewed the action taken on previous audit recommendations in the audit report dated August 2009 and confirmed that of the 4 recommendations, 3 had been implemented and 1 has been partly implemented. This demonstrates there has been an improvement in compliance with the licence conditions.

The partly implemented recommendation is:

- The Customer Service Charter is available to customers at Reception and on the Shire website. It is also normally advised in the annual rates notice but was omitted in the 2011 rates notice.

Two new issues were identified in this audit as follows:

- There is no Compliance Schedule as a reminder for due dates and obligations for review, notifications and reporting under the licence obligations; and
- Update the Monitoring and Review Procedures section of the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within 10 business days.

The audit recommended that the Shire:

- Implement a Compliance Schedule with the dates, responsibilities and actions for the various reviews and reporting required by the licence (including annual notification to customers in the rates notice of the availability of the Customer Service Charter);
- Ensure that performance and compliance reports are submitted to the Authority by the due dates; and

- Update the Monitoring and Review Procedures section of the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within 10 business days.

The audit confirmed the Shire of Jerramungup has complied with all of its information reporting obligations for the period 1st July 2008 to 30th June 2011 apart from the 2010 compliance report being late.

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

ASSET MANAGEMENT SYSTEM REVIEW

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

The review confirmed that out of 31 recommendations in the previous review report dated August 2009, 30 have been implemented and 1 is partly completed. A new Asset Management Plan and supporting database system have been implemented.

The outstanding issue is:

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

There were no new issues identified apart from an opportunity for improvement being to review the Asset Management Plan more frequently than every 5 years as stated in the Plan.

The review recommended that the Shire:

- Develop detailed contingency plans and review/test these on an annual basis; and
- Review the Asset Management Plan and database on an annual basis and update for any changes.

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

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

POST AUDIT IMPLEMENTATION PLAN

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

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

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

Auditor's Unqualified Opinion

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

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

QUANTUM MANAGEMENT CONSULTING & ASSURANCE



Geoff White
Director

Perth, WA
6 June 2012

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

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 Jerramungup sewerage scheme was originally constructed during 1978. The scheme is operated by the Shire of Jerramungup and includes a gravity reticulation system, a treatment plant and an effluent re-use scheme. The scheme provides sewerage services to the town population of approximately 400 people. The scheme collects and treats approximately 22,000m³ of residential and commercial effluent and re-uses treated and disinfected effluent on spray irrigation of the town's sports ovals.

The scheme consists of 4.9 km of gravity mains within two catchment areas. The two treatment ponds have a storage capacity of 3,910 m³. The overflow from the southern effluent pond discharges to a drainage channel, where it is mixed with storm water run-off.

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

- Brent Bailey – Deputy Chief Executive Officer (DCEO)
- Harry Louw – Manager Town Services.

2.4 Key Documents Examined

- Shire of Jerramungup Water Services Operating Licence 19 Version OL2 dated 15 May 2009
- Audit Report - Shire of Jerramungup Water Licence Operational Audit and Asset Management Review dated August 2009
- Post Audit Implementation Plan - Shire of Jerramungup Water Licence Operational Audit and Asset Management Review dated August 2009
- Shire of Jerramungup Customer Service Charter for Wastewater Services 2008
- Shire of Jerramungup Annual Report for the year ending 30 June 2010
- Shire of Jerramungup Asset Management Plan Sewerage and Effluent Re-use Scheme March 2011
- Performance Reports to the Authority for the years ended 30 June 2009, 2010 and 2011
- Compliance Reports to the Authority for the years ended 30 June 2009, 2010 and 2011
- Independent Auditor's Report for the year ended 30 June 2011
- Shire of Jerramungup Complaints Register
- Correspondence between the Shire and the Authority
- Shire of Jerramungup Five Year Financial Plan 2010-2015
- Shire of Jerramungup Waste Water Assets Management Information System – Asset Register spreadsheets.

2.5 Operational Audit - Compliance Ratings

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

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

2.6 Asset Management System Review - Effectiveness Ratings

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

Asset management process and policy definition - Adequacy ratings

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

Asset management process - Performance ratings

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

2.7 Audit Team

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

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

Operational Audit –
Detailed Report

Final Report

May 2012

3. Operational Audit

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

3.1 Summary of Compliance Ratings

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

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

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

No. ¹	Operating Licence Compliance Element	Operating Licence reference (Cl.=clause, Sch.=schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (Low, Medium, High)	Adequacy of existing controls (S=strong, M=moderate, W=weak)	Compliance Rating (1=significantly non-compliant, 2=non-compliant, 3=compliant, 4=compliant, 5=compliant, N/A=not applicable, N/R=not rated)									
							1	2	3	4	5	N/A	N/R			
17	Must co-operate with Dept. of Water	Sch.3 Cl.3.6	2	C	Medium	Strong										✓
18	Provide details to Dept. of Water	Sch.3 Cl.3.7	2	C	Medium	Strong										✓
19	Customer Service Charter	Cl.7.1	1	C	Medium	Strong						✓				
20	Availability of Customer Service Charter	Sch.3 Cl. 2.5	2	B	Medium	Moderate			✓							
21	Charter reviewed every 3 years	Sch.3 Cl. 2.6	2	C	Low	Moderate				✓						
22	Services consistent with Charter	Sch.3 Cl. 2.7	2	C	Medium	Strong					✓					
23	Customer consultation process	Cl. 8	2	C	Medium	Strong					✓					
24	Customer Council or at least two other forums	Sch.3 Cl. 4.1	2	C	Medium	Strong					✓					
25	Consult the Authority on type and extent of customer consultation	Sch.3 Cl. 4.2	2	C	Medium	Strong					✓					
26	If requested, establish other forums	Sch.3 Cl. 4.3	2	C	Medium	Strong										✓
27	<i>Not applicable (only applies to irrigation licences)</i>	Sch.3 Cl. 4.4	N/A	N/A	N/A	N/A								✓		
28	Customer consultation prior to major changes	Sch.3 Cl. 4.5	2	B	Medium	Strong										✓
29	Council public question time	Sch. 3 Cl. 4.6	2	B	Medium	Strong						✓				
30	Modified customer agreements	Sch. 3 Cl. 5.1	2	B	Medium	Strong										✓
31	Annual report of non-standard agreements	Sch. 3 Cl. 5.4	2	B	Medium	Strong										✓
32	Customer survey, if directed by Authority	Sch. 3 Cl. 6	2	C	Medium	Strong										✓
33 to 40	<i>Not applicable (only applies to potable water licences)</i>	Cl. 9	N/A	N/A	N/A	N/A								✓		
41	Compliance with accounting standards	Cl. 15.1	1	C	Medium	Strong						✓				
42	Compliance with Operational Audit Guidelines	Cl. 16.2	1	C	Medium	Strong						✓				
43	Initial notification of asset management system (AMS) on licence commencement	Cl. 17.1	2	C	Low	Strong						✓				
44	Notify Authority of changes to AMS within 10 business days	Cl. 17.2	1	C	Low	Moderate				✓						
45	Compliance with Asset Management Review guidelines	Cl. 17.4	2	B	Medium	Strong						✓				
46	Report on external administration or significant financial or technical changes	Cl. 18.1	3	C	High	Strong										✓
47	Provide any information requested by Authority	Cl. 21.1	1	C	Medium	Strong					✓					
48	Information reporting requirements	Cl. 21.2	2	B	Medium	Moderate		✓								
49	Publish information directed by Authority	Cl. 22.2 -	2	B	Low	Strong										✓

No. ¹	Operating Licence Compliance Element	Operating Licence reference (Cl.=clause, Sch.=schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (Low, Medium, High)	Adequacy of existing controls (S=strong, M=moderate, W=weak)	Compliance Rating (1=significantly non-compliant, 2=non-compliant, 3=compliant, 4=compliant, 5=compliant, N/A=not applicable, N/R=not rated)							
							1	2	3	4	5	N/A	N/R	
		.4												
-	Written conditions for connections	Sch.6 Cl. 2.1	2	B	Medium	Strong						✓		
-	Services available for connection	Sch.6 Cl. 2.2	2	B	Medium	Strong						✓		
-	Agreement to discontinue services	Sch.6 Cl. 2.3	2	B	Medium	Strong								✓

3.2 Previous Audit Recommendations

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

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
1.1 (item 3)	Asset Management System The Licensee must have an Asset Management System in respect to the licensed activity.	Basics are in place with a simple Asset Management Plan and asset register system AMS does not include manuals, minimal policies and procedures, limited planning, no risk assessments and out of date financial planning. The general requirements for maintaining the system are documented in the Asset management Plan (September 2004). The AMP is out of date and requires additional information as detailed in the Asset Management Systems review section of this report.	2	Expand and implement existing AMS to include manuals, policies and procedures for sewer system. Expand and implement existing AMS to include manuals, policies and procedures for the operation and maintenance of the sewer system.	<i>DCEO</i> <i>30 October 2010</i>	Asset Management Information System (AMIS) now installed and populated. AMP was complete.	COMPLETED
1.2 (item 48)	Provision of Information The licensee must comply with the information reporting requirements as set out in Schedule 5.	Not submitted.	1	Immediately gather and submit required information set out in Schedule 5 of the Licence to the Authority.	<i>DCEO</i> <i>30 October 2010</i>	The Compliance and Performance Reports for the year ending 30 June 2009 were submitted to the Authority.	COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
1.3 (item 20)	<p>Customer Service Charter</p> <p>The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence.</p>	<p>Copies not available on request at the Reception counter.</p> <p>The Charter is not displayed in the reception area.</p> <p>Customers are not advised of the availability of the Charter.</p>	1	Ensure the customer service charter is available at request and displayed at reception. Advise customers of the availability of the charter at least once every year.	<p>DCEO</p> <p>30 October 2010</p>	<p>The Charter is available at Reception and on the website.</p> <p>The Shire's DCEO advised that customers are normally advised of the availability of the Charter in the rate notices. However, this was omitted from the current year's rate notice.</p> <p><i>(Post Audit Implementation Plan item 1.2)</i></p>	PARTLY COMPLETED
1.4 (item 11)	<p>Customer Complaints</p> <p>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.</p>	<p>No formal system in place.</p> <p>No documented procedures.</p>	1	Create and implement a formal compliant resolution procedure with the objective to resolve complaints within the required timeframe. Include in the Charter.	<p>DCEO</p> <p>30 October 2010</p>	<p>The Customer Service Charter for Wastewater Services 2008 outlines the process in regards to enquiries, suggestions, complaints and disputes.</p>	COMPLETED

3.3 Audit Results and Recommendations

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

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

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
	Services Licensing Act Section 36(1)(b)	17.2	Authority of any changes to the Asset Management System.			audit period, the Shire has reviewed the overall Asset Management System (AMIS) in total, installed and populated a new AMIS and introduced a new Asset Management Plan (AMP). The Authority was notified of progress in Post Audit Implementation Plan updates. Apart from the new AMIS and AMP, there were no material changes made to the asset management system that would require notification to the Authority.	
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. However, there is no process in place to ensure that the timeframes will be met in future. Recommendation: <ul style="list-style-type: none"> • Implement a Compliance Schedule (reminder system) that sets out the responsibilities and due dates of all regulatory reviews and reporting to the Authority. <i>(Post Audit Implementation Plan item 1.1)</i>	4
6	Water Services Licensing Act Section 37(1)	Clause 16.1	The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an operational audit conducted by an independent expert, acceptable to the Authority.	2	5	The Operational Audit is now being undertaken and will be completed within the prescribed time. However, there is no process in place to ensure that the timeframes would be met. Refer recommendation in item 5.	4

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
7	Water Services Licensing Act Section 38(2)	Clause 20.1	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 make one call and they are advised of the nature and timing of action within one hour (Target is 90% of calls). • 90% of complaints resolved within 15 business days. • Fewer than 40 blockages per 100km of sewer main per year • 90% of connected properties experience no sewerage overflows per year. 	2	2	The audit reviewed the Shire's Performance Reports for the years ended 30 June 2009, 2010 and 2011 and noted that during the audit period the Shire has complied with all performance standards.	5
LICENCE COMPLIANCE REQUIREMENTS – WATER COORDINATION REGULATION 1996							
8	Water	Clause 4.1	The licensee must pay the	N/R	5	The licence expires on 29 April 2021. The application for	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)
	Services Coordination Regulations Section 2		applicable fees in accordance with the regulations.			renewal of the licence is to be accompanied by the prescribed fee.	
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 Jerramungup is a Local Government Agency so this is not applicable.	N/A
11	N/A	Schedule 3 Clause 3.8	The licensee must resolve customer complaints within 15 business days of the receipt of complaint or for matters to be considered by a Local Government Council within 5 business days after the first ordinary Council meeting following the 15 business day period.	NR	4	The Audit confirmed with the Shire's DCEO that there were no sewerage related customer complaints received by the Shire over the audit period.	N/R
12	N/A	Schedule 3 Clause 3.2(b)	The licensee must provide appropriately trained staff to respond to complaints.	NR	N/A	Shire of Jerramungup is a Local Government Agency so this 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)
13	N/A	Schedule 3 Clause 3.9(b)	The licensee must provide one trained staff member who is authorised or has access to another officer who is authorised to make necessary decisions to respond to complaints.	NR	5	The Shire's CEO is authorised to make necessary decisions to settle the customer complaints or disputes. The Shire's staff have been provided with 'complaints resolution' training through OSH courses.	5
14	N/A	Schedule 3 Clause 3.2(d)	The licensee must provide an appropriate system to monitor and record the number, nature of and outcomes to complaints.	NR	3	The Audit confirmed with the Shire's DCEO that there were no sewerage related customer complaints received by the Shire over the audit period. A customer complaints module was added to the AMIS system (additional module added to the original software suite).	5
15	N/A	Schedule 3 Clause 3.4	The licensee must inform the customer of the option to refer a disputed complaint to the Department of Water.	NR	N/A	Shire of Jerramungup is a Local Government Agency so this is not applicable.	N/A
16	N/A	Schedule 3 Clause 3.10	The licensee must inform the customer of the option to refer a disputed complaint to the Department of Water unless the complaint is a matter that relates to section 3.22 of the <i>Local Government Act 1995</i> .	NR	3	The audit confirmed with the Shire's DCEO that there were no sewerage related customer complaints received by the Shire over the audit period. The Customer Service Charter outlines the process in regards to enquiries, suggestions, complaints and disputes.	N/R
17	N/A	Schedule 3 Clause 3.6	The licensee must co-operate with the Department of Water's	NR	3	The audit confirmed with the Shire's DCEO that during the audit period, there were no such requests received from the	N/R

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			request for information concerning a disputed complaint.			Department of Water.	
18	N/A	Schedule 3 Clause 3.7	The licensee must, on request, provide complaints details to the Department of Water.	NR	3	The audit confirmed with the Shire's DCEO 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 Jerramungup Customer Service Charter was approved by the Authority on 10 December 2008.	5
20	N/A	Schedule 3 Clause 2.5	The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence.	2	4	<p>The audit confirmed through sighting that the Customer Service Charter is prominently displayed at the Shire's reception, and through discussion with the Shire's DCEO that the Charter is provided upon request and at no charge to customers.</p> <p>In addition, the audit confirmed that the Charter is available to customers on the website.</p> <p>The Shire's DCEO advised that customers are advised of the availability of the Charter in the rate notices. However, this was omitted in this year's rates notice. This will be rectified next financial year. The notice advising the charter's availability will form part of the rates booklet next year. A reminder has been set up in the staff calendar to action this.</p> <ul style="list-style-type: none"> ▪ Implement a Compliance Schedule and note the requirement to include notification to customers of the availability of the Customer Service Charter. <p><i>(Post Audit Implementation Plan item 1.2)</i></p>	3

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)
21	N/A	Schedule 3 Clause 2.6	The licensee must review its Customer Service Charter at least once in every three year period.	2	5	<p>The previous Charter was approved by the Authority in August 2005. The revised Charter was approved by the Authority on 10 December 2008.</p> <p>The Authority has provided a 12 months extension to the deadline for the next review of the Charter. The next review is due on 10 December 2012.</p> <p>However, there is no process in place to ensure that the timeframes will be met.</p> <p>Refer recommendation in item 5.</p>	4
22	N/A	Schedule 3 Clause 2.7	The licensee must provide its services consistent with its Customer Service Charter.	2	4	<p>The audit confirmed that the Shire provide its services consistent with its Customer Service Charter.</p> <p>The Charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to the Shire's customers.</p>	5
23	N/A	Clause 8	The licensee must establish customer consultation processes as set out in Schedule 3.	NR	4	The audit confirmed with the Shire's DCEO 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	<p>The audit confirmed with the Shire's DCEO that the Shire hold regular electors meetings and articles are being placed in the local newspaper.</p> <p>The Shire also allows its customers to raise matters of concern regarding the sewerage system at public question time during the Jerramungup Council meetings.</p>	5

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			activities.				
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 formal requests for customer feedback and through information published in the local newspaper. The Shire will notify customers of any system change that may result in significant variation in its service levels. The Shire will publish information on matters relating to its wastewater services and on complaints handling.</p> <p>The revised Shire of Jerramungup Customer Service Charter was approved by the Authority on 10 December 2008. The Shire has advised that it twice placed an advertisement in the local newspaper which sought public comment on the charter. There were no responses received from the public or ratepayers.</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 DCEO 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	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)
			season opening and closing conditions, tariffs and scheme operation.				
28	N/A	Schedule 3 Clause 4.5	The licensee must prior to making a major change to the operation of a water service hold a public meeting and seek written submissions.	NR	4	The audit confirmed with the Shire's DCEO 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 DCEO that the Shire allows its customers to raise matters of concern regarding the sewerage system at public question time during the Jerramungup 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 DCEO 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	3	The audit confirmed with the Shire's DCEO 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 DCEO that during the audit period, there were no such directions received from the Authority.	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)
33 to 40	N/A	Clause 9	Memorandum of Understanding	2	N/A	Clause 9 is not applicable.	N/A
41	N/A	Clause 15.1	The licensee must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.	NR	4	Each year the Shire of Jerramungup prepares a comprehensive Annual Report for the whole of the Shire, which is independently audited by a certified auditor. The audit sighted the Shire's Annual Report for the year ended 30 th June 2011 including an Independent Audit Report.	5
42	Water 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 7 December 2011, stipulates compliance requirements on auditors.	5
43	Water Services Licensing Act Section 36	Clause 17.1	The licensee must provide for and notify the Authority of its asset management system within 2 business days from the licence commencement date unless notified in writing by the Authority.	2	5	The licence commencement date was 21 May 1997. The Authority was notified of the Shire's asset management system back then.	5
44	Water	Clause 17.2	The licensee must notify the	2	5	The audit confirmed with the Shire's DCEO that during the	4

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
	Services Licensing Act Section 36		Authority of any changes to its asset management system within 10 business days from the date of change.			<p>audit period, the Shire has reviewed the overall Asset Management System in total, installed and populated new Asset Management Information System (AMIS) and introduced a new Asset Management Plan (AMP). The Authority was notified of progress in Post Audit Implementation Plan updates.</p> <p>Apart from the new AMIS and AMP, there were no material changes made to the asset management system that would require notification to the Authority.</p> <p>However, there is no process in place to ensure that the Shire would notify the Authority of any changes to its asset management system within 10 business days from the date of change.</p> <p>The new AMP was issued in March 2011. Although, the Legislative Requirements section of the AMP refers to the requirement to notify any changes to the system to the Authority, the required timeframe is not specified.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Update the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within 10 business days. ▪ Implement a Compliance Schedule and note the required timeframe of 10 business days for notification of asset management system changes to the Authority. <p><i>(Post Audit Implementation Plan item 1.3)</i></p>	

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)
45	Water Services Licensing Act Section 36	Clause 17.4	The licensee must comply and require the licensee's expert to comply with the Authority's Standard Guidelines dealing with the asset management system review including, minimum requirements, regarding appointment of the expert reviewer, scope of review, conduct of the review and reporting of the outcomes of the review.	NR	4	The Audit Plan - Operational Audit and Asset Management System Review dated 7 December 2011 stipulates compliance requirements on auditors.	5
46	N/A	Clause 18.1	The licensee must report to the Authority if it is under 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	3	In addition to the reporting requirements under the Water Compliance Reporting Manual, the Shire provided updates on the post-audit implementation plan in respect of the 2008 performance audit and asset management system review to the Authority. One exception was that the 2010 compliance report was submitted late. Refer item 48.	4
48	N/A	Clause 21.2	The licensee must comply with the information reporting	2	3	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)
			requirements as set out in 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 Shire's Compliance and Performance Reports for the year ending 30 June 2009, 2010 and 2011 and relevant correspondence between the Shire and the Authority and noted the following exception:</p> <ul style="list-style-type: none"> • Compliance Report for the year ended 30 June 2010 was submitted after the due. This was recorded as a non-compliance in the next Compliance Report for the year ended 30 June 2011. <p>There is no procedure in place to ensure the timely submission of reports. The submission of reports is purely reactionary to the reminders received from the Authority.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Implement a Compliance Schedule with timeframes for annual Performance and Compliance Reports submission as part of the schedule of events. The Compliance Schedule will also assist replacement staff to meet regulatory timeframes if the DCEO is on leave. ▪ Ensure that all future Compliance Reports are submitted to the Authority within the timeframes required. 	

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)
						<i>(Post Audit Implementation Plan item 1.4)</i>	
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 DCEO 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 DCEO 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 DCEO 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 Jerramungup has complied with all of its Water Services Operating Licence performance and quality standards and licence obligations during the audit period 1st December 2008 to 30th November 2011 with one non-compliance as follows:

- The compliance report for 2009/10 was submitted to the Authority after the due date.

The audit reviewed the action taken on previous audit recommendations in the audit report dated August 2009 and confirmed that of the 4 recommendations, 3 had been implemented and 1 has been partly implemented. This demonstrates there has been an improvement in compliance with the licence conditions.

The partly implemented recommendation is:

- The Customer Service Charter is available to customers at Reception and on the Shire website. It is also normally advised in the annual rates notice but was omitted in the 2011 rates notice.

Two new issues were identified in this audit as follows:

- There is no Compliance Schedule as a reminder for due dates and obligations for review, notifications and reporting under the licence obligations; and
- Update the Monitoring and Review Procedures section of the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within 10 business days.

The audit recommended that the Shire:

- Implement a Compliance Schedule with the dates, responsibilities and actions for the various reviews and reporting required by the licence (including annual notification to customers in the rates notice of the availability of the Customer Service Charter);
- Ensure that performance and compliance reports are submitted to the Authority by the due dates; and
- Update the Monitoring and Review Procedures section of the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within 10 business days.

The audit confirmed the Shire of Jerramungup has complied with all of its information reporting obligations for the period 1st July 2008 to 30th June 2011 apart from the 2010 compliance report being late.

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

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

Shire of Jerramungup
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				1	
4. Environmental analysis				A				1	
5. Asset operations				A				1	
6. Asset maintenance				A				1	
7. Asset management information system				A				1	
8. Risk management				A				1	
9. Contingency planning		C				3			
10. Financial planning				A				1	
11. Capital expenditure planning				A				1	
12. Review of asset management system				A			2		

4.2 Previous Review Recommendations

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

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
2.1	Asset Planning Lifecycle costs of owning and operating assets are assessed	Lifecycle costs of all owning and operating assets have not been assessed.	2	Identify and document asset objectives and lifecycle costs for all assets and include in AMP.	<i>EHO by 30 October 2010</i>	Included in revised Asset Management Plan (March 2011).	COMPLETED
2.2	Asset Planning Costs are justified and cost drivers identified.	Summary costs are included in the AMP, but no detail on justification or cost drivers.	2	Include a section in the AMP on cost justification and discussion on cost drivers.	<i>EHO by 30 October 2010</i>	Included in revised Asset Management Plan (March 2011).	COMPLETED
2.3	Asset Planning Likelihood and consequences of asset failure are predicted.	Operate and maintain – general feel of chance to fail. Likelihood and consequences of asset failure are informally evaluated.	2	Identify and document likelihood and consequences of asset failure in AMP.	<i>EHO by 30 October 2010</i>	Included in revised Asset Management Plan (March 2011).	COMPLETED
2.4	Asset Planning Plans are regularly reviewed and updated.	Plans have been reviewed approximately every 3 years; need to be updated by the Shire to contain the required information.	2	Create and document a review procedure in-line with Authority guidelines for the AMP.	<i>EHO by 30 October 2010</i>	AMP refers to reviews every 5 years that meets the minimum guideline of the Authority.	COMPLETED
2.5	Asset Disposal Under-utilised and under-performing assets are	Informally assessed during maintenance or repairs activities. Systematic review process has not been implemented.	2	Create and implement a process for identifying capacity of assets and recording past performances. Include in	<i>EHO by 30 October 2010</i>	Included in revised Asset Management Plan (March 2011).	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	identified as part of a regular systematic review process.			AMP.			
2.6	Asset Disposal There is a replacement strategy for assets.	Informally assessed during maintenance or repairs activities. Systematic review process has not been implemented.	1	Create and implement a process for identifying capacity of assets and recording past performances. Include in AMP.	<i>EHO by 30 October 2010</i>	Included in revised Asset Management Plan (March 2011) and Asset Management Information System (AMIS).	COMPLETED
2.7	Environmental Analysis Opportunities and threats in the system environment are assessed.	Not addressed in AMP.	1	Identify, document and apply SWOT analysis to opportunities and threats. Include in AMP.	<i>EHO by 30 October 2010</i>	Included in revised Asset Management Plan (March 2011).	COMPLETED
2.8	Environmental Analysis Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved.	Addressed in the Level of Service Section of the AMP, but performance is not measured or evaluated.	3	Identify and document performance requirements for all assets including availability of service and capacity. Include in AMP.	<i>EHO by 30 October 2010</i>	Included in revised Asset Management Plan (March 2011).	COMPLETED
2.9	Asset Operations	Emergency response procedure in AMP. However, minimal risk	2	Create and implement a regular review procedure for the operational	<i>EHO by 30 October 2010</i>	AMP includes procedures and AMIS records the data.	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	Risk management is applied to prioritise operations tasks.	management completed and not in any systematic way.		schedule to prioritise tasks based on risk management.			
2.10	Asset Operations Staff receive training commensurate with their responsibilities.	Staff have adequate training on operating the system with additional training on safety (chlorine, hygiene, etc.). Staff have limited training on AMS.	3	Provide key staff with training in Asset Management Systems.	<i>EHO by 30 October 2010</i>	Included in revised Asset Management Plan (March 2011).	COMPLETED
2.11	Asset Maintenance Regular inspections are undertaken of asset performance and condition.	Inspections are completed in accordance with the maintenance plan, but activities are not recorded.		Expand the maintenance schedule to include procedures for recording maintenance tasks, performance and condition. Include in AMP.	<i>EHO by 30 October 2010</i>	Included in revised Asset Management Plan (March 2011) and AMIS.	COMPLETED
2.12	Asset Maintenance Maintenance plans (emergency, corrective and preventative) are documented and completed	Maintenance plan is included in the AMP. Maintenance schedule has not been prepared and activities are not documented.	3	Identify and document maintenance requirements (emergency, corrective and preventative) for assets and create and implement maintenance plans. Include in AMP.	<i>EHO by 30 October 2010</i>	Included in revised Asset Management Plan (March 2011).	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	on schedule.						
2.13	Asset Maintenance Risk management is applied to prioritise maintenance tasks	Has not been completed.	2	Undertake risk analysis of maintenance tasks and prioritise maintenance plan based on risk assessment.	<i>EHO by 30 October 2010</i>	Included in revised Asset Management Plan (March 2011).	COMPLETED
2.14	Asset Management information System Adequate system documentation for users and system operators.	No AMIS in place.	0	Purchase/ develop Asset Management software and roll over all asset data to one system.	<i>EHO by 30 October 2010</i>	New AMIS based on Excel spreadsheets implemented.	COMPLETED
2.15	Asset Management information System Input controls include appropriate verification and validation of data entered into the system.	No AMIS in place.	0	Create data verification procedure for updating asset data in Asset Management software.	<i>EHO by 30 October 2010</i>	Data is checked by person entering – considered adequate for as simple system.	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
2.16	Asset Management information System Logical security access controls appear adequate, such as passwords.	No AMIS in place.	0	Ensure Asset management Information System can only be accessed by authorised persons.	<i>EHO by 30 October 2010</i>	Covered by password controls.	COMPLETED
2.17	Asset Management information System Physical security access controls appear adequate.	No AMIS in place.	0	Ensure adequate physical security access controls such as swipe cards are implemented.	<i>EHO by 30 October 2010</i>	Covered by office security.	COMPLETED
2.18	Asset Management information System Data backup procedures appear adequate.	No AMIS in place.	0	Create and implement backup procedure for asset data.	<i>EHO by 30 October 2010</i>	Covered by Shire network backup procedures.	COMPLETED
2.19	Asset Management information System Key	No AMIS in place.	0	Create and implement procedures for producing regular reports to monitor assets and link to licence	<i>EHO by 30 October 2010</i>	New implemented. AMIS	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	computations related to licensee performance reporting are materially accurate.			obligations.			
2.20	Asset Management information System Management reports appear adequate for the licensee to monitor licence obligations.	No management reports prepared.	0	Create and implement procedures for producing regular reports to monitor assets and link to licence obligations.	<i>EHO by 30 October 2010</i>	Reports can be obtained from the AMIS spreadsheets – considered adequate.	COMPLETED
2.21	Risk Management Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	Risk management policies and procedures have not been prepared.	1	Create risk management procedures and policies to be included in AMP. Ensure policy includes risk reviewing procedure.	<i>EHO by 30 October 2010</i>	Included in revised Asset Management Plan (March 2011).	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
2.22	Risk Management Risks are documented in a risk register and treatment plans are actioned and monitored.	Risk register have not been prepared and treatment plans have not been developed.	1	Action current risks identified in AMP and create procedures for monitoring.	<i>EHO by 30 October 2010</i>	Included in revised Asset Management Plan (March 2011) and risk register in AMIS.	COMPLETED
2.23	Risk Management The probability and consequences of asset failure are regularly assessed.	Informally completed by staff by subjective judgement. Asset failure risks have not been formally assessed or documented.	1	Create and document risk register including the treatment and consequences of asset failure. Include in AMP.	<i>EHO by 30 October 2010</i>	Included in revised Asset Management Plan (March 2011) and risk register in AMIS.	COMPLETED
2.24	Contingency Planning Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	"Emergency Response" is briefly addressed in the AMP. Contingency Plans have not been prepared.	1	Prepare a contingency plan for each asset group, document in the AMP and test for high risks.	<i>EHO by 30 October 2010</i>	AMP has overall strategies but detailed plans need to be developed.	PARTLY COMPLETED
2.25	Financial Planning	Well covered in the Plan of Principal Activities (PPA) and in summary in the AMP.	3	Update the financial plan objectives, strategies and actions and develop	<i>EHO by 30 October 2010</i>	Included in revised Asset Management Plan (March 2011) and	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	The financial plan states the financial objectives and strategies and actions to achieve the objectives.	AMP needs to include the relevant objectives, strategies and actions from the PPA.		a review procedure.		risk register in AMIS.	
2.26	Financial Planning The financial plan identifies the source of funds for capital expenditure and recurrent costs.	Included in the AMP for 2003/04. Financial Plan in AMP needs to be expanded to cover 5 year funding projections.	3	Update the financial plan to include more detail of sources of current and forecast funds for capital expenditure and recurrent costs.	<i>EHO by 30 October 2010</i>	Included in revised Asset Management Plan (March 2011) and risk register in AMIS.	COMPLETED
2.27	Financial Planning The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	AMP contains a profit and loss summary for 2003/04, but no information of projected statements.	3	Update and expand the financial plan in the AMP to include more detail of financial position and projections for next five years.	<i>EHO by 30 October 2010</i>	Included in revised Asset Management Plan (March 2011) and risk register in AMIS.	COMPLETED
2.28	Financial Planning The financial	Included in the PPA and annual budgets. AMP does not include any income	3	Update the 5 year financial plan in the AMP and include predicted	<i>EHO by 30 October 2010</i>	Included in revised Asset Management Plan (March 2011) and	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	predictions.		costs for operation, maintenance and capital upgrade.		risk register in AMIS.	
2.29	Financial Planning Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.	Variances indicated in the 2003/04 summary, but not detail provided on reasons or any corrective actions. Variations beyond 2003/04 have not been detailed.	2	Include a commentary in the Financial Plan section of the AMP to explain the reasons for variations in budget and actual expenditures and incomes.	<i>EHO by 30 October 2010</i>	Included in revised Asset Management Plan (March 2011) and Shire's monthly reporting to Council.	COMPLETED
2.30	Capital Expenditure Planning There is an adequate process to ensure that the capital expenditure plan is regularly	The capital expenditure plan in the AMP finished in 2008 and has not been regularly reviewed. The Shire does include capital expenditure review as part of the annual budget review process.	2	Update current capital expenditure plan and develop a review procedure. Include in AMP.	<i>EHO by 30 October 2010</i>	Included in revised Asset Management Plan (March 2011).	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	updated and actioned.						
2.31	<p>Review of Asset Management System</p> <p>A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.</p>	<p>The AMP was revised in 2004 and contains out of date information. A review process has not been implemented.</p> <p>The Shire does not have an AMIS to monitor and document operations and maintenance activities and tasks, asset performance or asset expenditures.</p>	2	<p>Create asset management review procedure to ensure system is reviewed regularly. Expand and implement existing AMS to include manuals, policies and procedures for sewer system. Update to AMP to include the missing information identified in this table and update the financial expenditures.</p>	<i>EHO by 30 October 2010</i>	Included in revised Asset Management Plan (March 2011).	COMPLETED

4.3 Review Results and Recommendations

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating ³	A	Performance Rating ⁴	1
1	ASSET PLANNING				
1.1	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	The Shire of Jerramungup Asset Management Plan (AMP) dated March 2011 was sighted. The goal, objective and level of service are stated in the AMP as: <i>“to provide cost effective wastewater collection, treatment and disposal services for the town of Jerramungup, which meets community expectations for health and environmental management”.</i>			
1.2	Service levels are defined.	The Levels of Service requirements for customers are detailed in the Customer Service Charter. Additionally, the levels of service and performance parameters have been defined in the AMP. Performance is measured in performance reports to the Authority.			
1.3	Non-asset options (e.g. demand management) are considered.	The assets are considered appropriate for the current levels of demand.			
1.4	Lifecycle costs of owning and operating assets are assessed.	The life cycle costs have been budgeted for in the Annual Capital Investment Budget spreadsheet and the Annual Operations and Maintenance Budget spreadsheet. The Shire is in the process of building up sufficient reserves to ensure it can maintain and upgrade the sewerage scheme in the Jerramungup townsite when required. However sourcing of grants may be required to meet all costs.			
1.5	Funding options are evaluated.	The Shire maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Jerramungup Sewerage Scheme. The Shire has a specified area rating which is applied to all properties connected or capable of being connected to the sewerage scheme in the Jerramungup town site. The purpose of this rate is to offset the cost of the sewerage treatment, including operation, maintenance, administration, depreciation and loan repayments. The Asset Management Plan (March 2011) notes that the revenue from sewerage rates over the next 5 years of			

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)			
		approximately \$40,000 per annum is sufficient to cover the operational and maintenance costs but not the annuity of \$108,55 per annum to set aside funds for capital replacements over the life of the scheme. Other options for funding such as grants will need to be considered.			
1.6	Costs are justified and cost drivers identified.	The analysis assumes that assets will be replaced at the end of their standard economic life. The forecast lifecycle asset replacement program is included in the Annual Capital Investment Budget Excel spreadsheet.			
1.7	Likelihood and consequences of asset failure are predicted.	The analysis assumes that assets will be replaced at the end of their standard economic life.			
1.8	Plans are regularly reviewed and updated.	The AMP is reviewed in April of each year in the development of the annual Shire budget for the following year.			
2	ASSET CREATION/ ACQUISITION	Process Rating	A	Performance Rating	N/R
2.1	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	No new assets are shown on the Capital Investment Budget. Only replacement of existing components as they reach the end of their life.			
2.2	Evaluations include all life-cycle costs.	No new assets are shown on the Capital Investment Budget.			
2.3	Projects reflect sound engineering and business decisions.	No new assets are shown on the Capital Investment Budget.			
2.4	Commissioning tests are documented and completed.	No new assets acquired.			
2.5	Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	Section 2.3 of the AMP outlines the legislative requirements..			
3	ASSET DISPOSAL	Process Rating	A	Performance Rating	1
3.1	Under-utilised and under-performing assets are identified as part of a regular systematic review process.	This is a small system with only the essential assets to enable it to function. No disposals are anticipated. An Asset Condition and Performance Spreadsheet was sighted. It is noted from the spreadsheet that all assets were last inspected in November 2010.			
3.2	The reasons for under-utilisation or poor performance are critically	Asset condition is reviewed and reasons for any under-performance are investigated.			

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

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
	are documented and linked to service levels required.	fed effluent disposal system, there are no special practices that require documentation.
5.2	Risk management is applied to prioritise operations tasks.	A risk assessment was completed as part of the Asset Management Plan and the results are considered in prioritising operational and maintenance tasks.
5.3	Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and accounting data.	<p>The Shire currently operates a simple computerised system based on the standard suite of Excel spreadsheets. All the asset system components have been identified and documented in the Asset Register Excel spreadsheet.</p> <p>Physical parameters for the assets are recorded in the "As constructed" drawings. The AMP provides a summary description of each installation within the system.</p> <p>The Asset Register was sighted. The current Asset Register includes details on:</p> <ul style="list-style-type: none"> ▪ Asset Number; ▪ Description; ▪ Dimensions/ type; ▪ Construction materials/ model; ▪ Construction date; and ▪ Replacement Value <p>for access chambers, pipes, treatment plant, pump station and effluent re-use.</p> <p>The assets' location is documented in maps.</p> <p>The condition assessment is documented in the Condition and Performance Assessment spreadsheet.</p>
5.4	Operational costs are measured and monitored.	All asset expenditure is captured in the Shire's Financial Management Information System (FMIS). The historical cost information for the assets has not been transferred to the Asset Register but is in the FMIS.
5.5	Staff receive training commensurate with their responsibilities.	<p>The Jerramungup wastewater scheme is a simple system, which requires a basic level of asset management to maintain it in an effective condition. The assets are in excellent condition. The assets seem appropriate for the current levels of demand.</p> <p>The AMP outlines the current human resources required to support the plan as follows:</p> <ul style="list-style-type: none"> ▪ Works Manager (Manager Town Services); ▪ Environmental Health Officer/Building Surveyor (Deputy CEO); and ▪ Administration Officer.

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
6	ASSET MAINTENANCE	Process Rating	A	Performance Rating	1
6.1	Maintenance policies and procedures are documented and linked to service levels required.	<p>The Asset Management Plan includes a section on Routine and Planned Maintenance Plans. This is effectively an overview of the maintenance.</p> <p>The Jerramungup wastewater scheme is a simple system, which requires a basic level of asset management to maintain it in an effective condition. The system is also relatively young and the assets are in good condition. The assets seem appropriate for the current levels of demand.</p> <p>The maintenance tasks specified in the Maintenance Schedule relate to the levels of service required of the system.</p>			
6.2	Regular inspections are undertaken of asset performance and condition.	<p>A condition monitoring system has been instigated for all assets. The latest recorded inspection was in November 2010. The general condition of assets has been assessed as good at the date of the visit. Maintenance is regularly performed on assets as per the maintenance schedule.</p> <p>Maintenance is carried out by qualified maintenance staff on a regular basis. A licenced plumber is available to maintain the sewer assets if needed. Health requirements for the sewer are instigated and maintained to ensure protection of health of the town population.</p> <p>The unforeseen maintenance tasking is instigated by a telephone call-out system to the Works Manager who attends the site, assesses the requirements and arranges the immediate and follow-up actions and activities.</p>			
6.3	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	<p>A comprehensive Routine Maintenance Plan has been included in the AMP. The maintenance schedule specifies maintenance tasks to be carried out and the intervals at which they need to be done. It provides a checklist of maintenance tasks but is reliant on the knowledge and ability of the person performing the maintenance to carry them out satisfactorily. The audit sighted the completed maintenance schedule.</p> <p>The unforeseen maintenance tasking is instigated by a telephone call-out system to the Shire Work's Manager, who attends the site, assesses the requirements and arrange the immediate and follow-up actions and activities.</p>			
6.4	Failures are analysed and operational/maintenance plans adjusted where necessary.	<p>The AMP is reviewed annually as part of the Shire's annual budget preparation and any failures considered in the budgets and operational/maintenance plans.</p>			
6.5	Risk management is applied to prioritise maintenance tasks.	<p>A risk assessment was completed as part of the Asset Management Plan and the results are considered in prioritising operational and maintenance tasks.</p>			
6.6	Maintenance costs are measured and monitored.	<p>Maintenance costs are tracked through the FMIS and actual/budget reporting each month.</p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating	A	Performance Rating	1
7	ASSET MANAGEMENT INFORMATION SYSTEM	Process Rating	A	Performance Rating	1
7.1	Adequate system documentation for users and IT operators.	The Asset Management Plan and associated financial, asset management and risk management documented sighted.			
7.2	Input controls include appropriate verification and validation of data entered into the system.	Excel spreadsheets are used and data is checked when input.			
7.3	Logical security access controls appear adequate, such as passwords.	The AMP and the accompanying Excel spreadsheets are saved on the server. There is a password access to the Shire's system and the DCEO'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.	Daily backup with external hard drives - Shadow Protect.			
7.6	Key computations related to licensee performance reporting are materially accurate.	<p>Some Excel spreadsheets contains formulas such as, for example:</p> <ul style="list-style-type: none"> - In the Risk Assessment spreadsheet, inherent risk is automatically assigned from the likelihood and overall consequence scores; - In the Annual Capital Investment Budget spreadsheet and in the Annual Operations & Maintenance Budget spreadsheet, the light blue cells are automatically calculated. <p>Apart from viewing the computations in the formula bar, no documentation of key computations has been provided to the Shires.</p> <p>Audit tested the accuracy of computations on a sample basis and confirmed the computations tested were accurate.</p>			
7.7	Management reports appear adequate for the licensee to monitor licence obligations.	<p>Apart from printing the Excel spreadsheets out, there is no ability to create management reports.</p> <p>However, the functionality of the suite of Excel spreadsheets provided by the Authority to Shires for asset management planning purposes appears to be adequate for the Shire's needs.</p>			
8	RISK MANAGEMENT	Process Rating	A	Performance Rating	1

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
8.1	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	The Risk Assessment is outlined in the AMP and seems quite satisfactory, considering the size and lack of complexity of the scheme.			
8.2	Risks are documented in a risk register and treatment plans are actioned and monitored.	The Risk Assessment has been sighted. Control measures are in place to deal with identified risks.			
8.3	The probability and consequences of asset failure are regularly assessed.	These have been addressed in the Risk Assessment outlined in the AMP and seem quite satisfactory, considering the size of the scheme.			
9	CONTINGENCY PLANNING	Process Rating	C	Performance Rating	3
9.1	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	<p>Key staff have an understanding of unwritten procedures, such as the calling of a plumber in the case of a pipe blockage, or an electrician in the case of a pump failure.</p> <p>However, a formal Contingency Plan has not been developed.</p> <p>The Asset Management Plan has an action item to develop a contingency plan for sewerage overflows by October 2011.</p> <ul style="list-style-type: none"> • Based on the risk assessment in the AMP, a set of contingency plans or emergency procedures should be developed by the Shire to cover situations identified in the risk assessment as being a major or significant risk. For example bushfire affecting ponds or reticulation equipment; reticulation pump or electrical failure; extreme rainfall events/water overflows from the ponds; pipeline burst or blockages etc. <p>The contingency plans should include:</p> <ul style="list-style-type: none"> ○ Detailed procedures ○ Key local contact details – name, number and location ○ Communication protocols ○ Specifications, location and availability of emergency equipment ○ Authorities that need to be contacted and when. <ul style="list-style-type: none"> • Once developed, the contingency plans should be reviewed and tested on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of 			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<p style="color: red;">their responsibilities in cases of emergency. (Post Audit Implementation Plan item 2.1)</p>			
10	FINANCIAL PLANNING	Process Rating	A	Performance Rating	1
10.1	The financial plan states the financial objectives and strategies and actions to achieve the objectives.	The Annual Capital Investment Budget Excel spreadsheet and the Annual Operations and Maintenance Budget Excel spreadsheet outline the financial objectives. The Annual budget process takes this and allocates resources to each activity. Sighted the Shire of Jerramungup Capital Investment and Maintenance Budgets.			
10.2	The financial plan identifies the source of funds for capital expenditure and recurrent costs.	<p>The Shire maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Jerramungup Sewerage Scheme.</p> <p>The Shire has a specified area rating which is applied to all properties connected or capable of being connected to the sewerage scheme in the Jerramungup town site. The purpose of this rate is to offset the cost of the sewerage treatment, including operation, maintenance, administration, depreciation and loan repayments.</p> <p>The Asset Management Plan (March 2011) notes that the Shire does not have enough rates income for the sewerage scheme to cover the operational, maintenance and capital costs of replacement over the life of the scheme. The Plan notes that the Shire needs annuities of \$108,555 for capital replacements and \$52,995 for operational and maintenance costs but only collects approximately \$40,000 in rates per annum over the next 5 years. Additional sources of funds for capital replacements may need to be found in future. No major capital replacements are planned for the next 5 years.</p>			
10.3	The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	<p>The Annual Budget document is completed for each coming financial year for the Shire which includes the Sewerage System. Actual/budget income and expenditure is monitored.</p> <p>Sighted the Shire of Jerramungup Capital Investment and Maintenance Budgets.</p>			
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	<p>The Shire of Jerramungup Capital Investment and Maintenance Budgets have forward projects budgeted up until 2058.</p> <p>The annual 2011/12 budget provides for sewerage collection, depreciation and administration.</p>			
10.5	The financial plan provides for the operations and maintenance, administration and capital expenditure	The sewerage reserve had a balance of \$298,170 at 30 June 2011 with \$41,822 to be transferred in per the Annual Budget 2011/12. The Asset Management Plan for capital expenditure estimates that an annual annuity of \$108,555 is required from 2011/12 to replace assets over their lifecycle up to 2062. The current reserve is adequate to cover			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	requirements of the services.	<p>the estimated capital expenditure annuity liability to date but further transfers to the reserve will be needed in future years.</p> <p>The rates collected each year for the scheme of \$40,000 per annum cover the average operations and maintenance cost for the next 5 years (per the Asset Management Plan). The income and expenditure for the scheme is reviewed each April as part of the annual budget preparation.</p>			
10.6	Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.	Variations in actual and budget income and expenses are identified in monthly reports.			
11	CAPITAL EXPENDITURE PLANNING	Process Rating	A	Performance Rating	1
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	The forecast lifecycle asset replacement program is included in the Annual Capital Investment Budget Excel spreadsheet.			
11.2	The plan provides reasons for capital expenditure and timing of expenditure.	The analysis assumes that assets will be replaced at the end of their standard economic life.			
11.3	The capital expenditure plan is 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. A condition monitoring system has been implemented.			
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	A process of review is in place for the yearly update of the capital investment plans.			
12	REVIEW OF ASSET MANAGEMENT SYSTEM	Process Rating	A	Performance Rating	2
12.1	A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.	<p>During the audit period, the Shire has reviewed the overall Asset Management System in total and introduced a new Asset Management Plan (AMP). The Authority was notified of progress in PAIP reports.</p> <p>The audit confirmed with the Shire's DCEO that apart from the new AMP, there were no material changes made to the asset management system that would require notification to the Authority.</p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<p>A new AMP was issued in March 2011. However, the Monitoring and Review Procedures section of the AMP has not been updated for the requirement to notify the Authority of any changes to the asset management system within the required timeframe.</p> <p>The Monitoring and Review Procedures in the AMP suggest review of the AMP in five yearly intervals and the maintenance and capital investment plans shall be revised annually.</p> <p>The "Document Status" table does not provide for recording details about routine reviews of the document that do not escalate into the reissue of the AMP.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Update the Asset Management Plan - Monitoring and Review Procedures section for the requirement to notify the Authority of any changes to the asset management system within 10 business days. <i>(Post Audit Implementation Plan item 1.3)</i> ▪ The Asset Management Plan should be reviewed in more frequent intervals i.e. annually and reissued when changes occur. The accompanying Excel spreadsheet should be updated during the year as required and revised annually. ▪ Modify the "Document Status" table to include a brief description of changes to the document from the previous version. <i>(Post Audit Implementation Plan item 2.2)</i>
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 monitored in practice.

The review confirmed that out of 31 recommendations in the previous review report dated August 2009, 30 have been implemented and 1 is partly completed. A new Asset Management Plan and supporting database system have been implemented.

The outstanding issue is:

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

There were no new issues identified apart from an opportunity for improvement being to review the Asset Management Plan more frequently than every 5 years as stated in the Plan.

The review recommended that the Shire:

- Develop detailed contingency plans and review/test these on an annual basis; and
- Review the Asset Management Plan and database on an annual basis and update for any changes.

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

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

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

Appendix A: Post Audit Implementation Plan

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
1	Operational Audit				
1.1 (items 5 & 6)	<p>Operational Audit and Asset Management System Review</p> <p>The Operational Audit and Asset Management System Review is now being undertaken.</p> <p>However, there is no Compliance Schedule to ensure that reviews are undertaken by the prescribed time.</p>	Low	Implement a Compliance Schedule (reminder system) that sets out the responsibilities and due dates of all regulatory reviews and reporting to the Authority.	A Compliance Schedule will be developed and included in the Shire's corporate reminders.	DCEO 30 April 2012
1.2 (item 20)	<p>Availability of Customer Service Charter</p> <p>The audit confirmed through sighting that the Customer Service Charter is prominently displayed at the Shire's reception, and through discussion with the Shire's DCEO that the Charter is provided upon request and at no charge to customers.</p> <p>In addition, the audit confirmed that the Charter is available to customers on the website.</p> <p>The Shire's DCEO advised that customers are advised of the availability of the Charter in the rate notices. However, this was omitted in this year's rates notice. This will be rectified next financial year. The notice advising the charter's availability will form part of the rates booklet next year. A reminder has been set up in the staff calendar to</p>	Medium	Implement a Compliance Schedule with the Customer Service Charter notification in the annual rates notice included as part of the schedule of events to ensure regulatory timeframes are met.	A Compliance Schedule will be developed and included in the Shire's corporate reminders.	DCEO 30 April 2012

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	action this.				
1.3 (item 44)	<p>Notify Changes to Asset Management System</p> <p>The licensee must notify the Authority of any changes to its asset management system within 10 business days from the date of change.</p> <p>Apart from the new AMIS and AMP, there were no material changes made to the asset management system that would require notification to the Authority.</p> <p>However, there is no process in place to ensure that the Shire would notify the Authority of any changes to its asset management system within 10 business days from the date of change.</p> <p>The new AMP was issued in March 2011. Although, the Legislative Requirements section of the AMP refers to the requirement to notify any changes to the system to the Authority, the required timeframe is not specified.</p>	Low	<p>a) Update the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within 10 business days.</p> <p>b) Implement a Compliance Schedule and note the required timeframe of 10 business days for notification of asset management system changes to the Authority.</p>	<p>The AMP will be updated.</p> <p>A Compliance Schedule will be developed and included in the Shire's corporate reminders.</p>	<p>DCEO 30 April 2013</p> <p>DCEO 30 April 2012</p>
1.4 (item 48)	<p>Performance and Compliance Reporting</p> <p>In accordance with the Water Compliance Reporting Manual May 2011, the Shire is required to submit to the Authority:</p> <ul style="list-style-type: none"> Annual performance reports no later than 31 July for the reporting year ending 30 June; and 	Medium	<p>a) Implement a Compliance Schedule with timeframes for annual Performance and Compliance Reports submission as part of the schedule of events. The Compliance Schedule will also assist replacement staff</p>	<p>A Compliance Schedule will be developed and included in the Shire's corporate reminders.</p>	<p>DCEO 30 April 2012</p>

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	<ul style="list-style-type: none"> Annual compliance reports by 31 August for the year ending 30 June. <p>The audit reviewed the Shire's Compliance and Performance Reports for the year ending 30 June 2009, 2010 and 2011 and relevant correspondence between the Shire and the Authority and noted the following exception:</p> <ul style="list-style-type: none"> Compliance Report for the year ended 30 June 2010 was submitted after the due. This was recorded as a non-compliance in the next Compliance Report for the year ended 30 June 2011. <p>There is no procedure in place to ensure the timely submission of reports. The submission of reports is purely reactionary to the reminders received from the Authority.</p>		<p>to meet regulatory timeframes if the DCEO is on leave.</p> <p>b) Ensure that all future Compliance Reports are submitted to the Authority within the timeframes required.</p>	<p>Noted (see above).</p>	
2	Asset Management System Review				
2.1	<p>Contingency Planning</p> <p>Key staff have an understanding of unwritten procedures, such as the calling of a plumber in the case of a pipe blockage, or an electrician in the case of a pump failure.</p> <p>However, a formal Contingency Plan has not been developed.</p> <p>The Asset Management Plan has an action item to</p>	Medium	<p>a) Based on the risk assessment in the AMP, a set of contingency plans or emergency procedures should be developed by the Shire to cover situations identified in the risk assessment as being a major or significant risk. For example bushfire affecting ponds or reticulation equipment; reticulation pump or electrical failure; extreme</p>	<p>Contingency plans will be developed for any significant risks.</p>	<p>DCEO 30 June 2012</p>

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	develop a contingency plan for sewerage overflows by October 2011.		<p>rainfall events/water overflows from the ponds; pipeline burst or blockages etc.</p> <p>The contingency plans should include:</p> <ul style="list-style-type: none"> ○ Detailed procedures ○ Key local contact details – name, number and location ○ Communication protocols ○ Specifications, location and availability of emergency equipment ○ Authorities that need to be contacted and when. <p>b) Once developed, the contingency plans should be reviewed and tested on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency.</p>	Annual testing via desktop review by management team will be arranged.	DCEO 31 July 2012
2.2	<p>Review of Asset Management Plan/System</p> <p>The Monitoring and Review Procedures in the AMP suggest review of the AMP in five yearly intervals and the maintenance and capital investment plans</p>	Medium	a) The Asset Management Plan should be reviewed at more frequent intervals i.e. annually and reissued when changes	The AMP will be reviewed by April each year as part of the budget review.	DCEO April 2013

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	<p>shall be revised annually.</p> <p>The "Document Status" table does not provide for recording details about routine reviews of the document that do not escalate into the reissue of the AMP.</p>		<p>occur. The accompanying Excel spreadsheet should be updated during the year as required and revised annually.</p> <p>b) Modify the "Document Status" table to include a brief description of changes to the document from the previous version.</p>	<p>AMP will be updated.</p>	<p>DCEO April 2013</p>

END OF REPORT