

Shire of East Pilbara

Operational Audit and Asset Management System Review

Audit Report

4th May 2012



Perth

Level 5 160 St Georges Terrace
Perth Western Australia 6000
GPO Box 2753 PERTH WA 6001
Telephone: +61 8 9476 3144
Facsimile: +61 8 9225 5594

Melbourne

Level 2, 520 Collins Street
Melbourne Victoria 3000
Telephone: + 61 3 8317 5660
Facsimile: + 61 3 8317 5650

Sydney

MLC Centre
Martin Place Sydney
New South Wales 2000
Telephone: +61 2 9238 6881

Paxon Consulting Group Pty Ltd ABN 23 970 908 281
Paxon Business and Financial Services Pty Ltd ABN 60 148 950 168

www.paxongroup.com.au

Table of Contents

1	Executive Summary.....	4
1.1	Background.....	4
2	Operational Audit.....	5
2.1	Overview	5
2.1.1	Summary of Opinion on the Control Environment	5
2.1.2	Overall Assessment.....	5
2.1.3	Actions Taken on Previous Post-Audit Plan	5
2.1.4	Post Audit Implementation Plan.....	5
2.1.5	Summary of Issues and Recommendations.....	6
2.2	Objectives and Scope	12
2.3	Methodology	12
2.3.1	Fieldwork	12
2.3.2	Audit Reporting.....	13
2.4	Time Period Covered in Audit	13
2.5	Time Period of Audit.....	13
2.6	Licensee’s Representatives	13
2.7	Key Documents and Other Information Sources.....	13
2.8	Licensee’s Response to Previous Audit Recommendations.....	15
2.9	Performance Summary.....	17
2.9.1	Compliance Rating Scale	17
2.9.2	Operational Audit Compliance Summary.....	18
2.9.3	Observations and Recommendations	23
3	Asset Management System Review.....	41
3.1	Introduction.....	41
3.2	Objectives and Scope	41
3.3	Key Documents Inspected During the Review.....	42
3.4	Time Period Covered in Review	43
3.5	Time Period of Review.....	43
3.6	Licensee’s Representatives	43
3.7	Post Review Implementation Plan	46
3.8	Licensees Response to Previous Review Recommendations.....	45
3.9	Summary of Issues and Recommendations.....	47
3.10	Asset Management Process and Policy Definition Adequacy Ratings	49

3.10.1	Asset Management Effectiveness Summary	51
3.11	Observations and Recommendations	52
3.12	Conclusions	62
4	Auditor Information.....	63
4.1	Audit/Review Team Members and Hours Utilised.....	63
5	Signature of Auditor.....	64

1

Executive Summary

1.1 Background

The regulation of the water service industry in Western Australia is governed by the Water Services Licensing Act 1995 (the “Act”). The Act has established a regulatory framework surrounding the provision of water services primarily by way of a licensing scheme administered by the Economic Regulation Authority (the “ERA”).

Under the Act, providers of water supply, sewerage, irrigation and drainage services within controlled areas must be licensed. The licence set a range of conditions, including minimum service standards and regular reporting.

The Newman Waste Water Treatment Plant (WWTP) was constructed by BHP in 1981 and operated by the company until 1990, when the sewage collection and treatment facilities were taken over and operated by the Water Corporation. In 1996, ownership and responsibility for the operation of the plant was transferred from the Water Corporation to the East Pilbara Shire Council.

The ERA has granted an Operating Licence (Licence No. 17), to the Shire of East Pilbara (“Shire”) for the provision of non-potable water supply services and sewerage services. The licence commenced on 30 April 1999 and was last amended on 15 May 2009.

The audit has been conducted in accordance with Audit Guidelines: Electricity, Gas and Water Licences (August 2010), as compiled by the ERA. The audit has been conducted in order to assess the licensee’s level of compliance with the conditions of its licence.

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

2

Operational Audit

2.1 Overview

2.1.1 Summary of Opinion on the Control Environment

The control environment to ensure compliance with the licence conditions is assessed to be satisfactory.

2.1.2 Overall Assessment

In the auditor's professional view, the Shire is achieving an acceptable level of compliance with the requirements of the Water Services Operating Licence. A number of areas for improvement were identified that would improve the compliance. Refer to section 2.1.5 for more details.

2.1.3 Actions Taken on Previous Post-Audit Plan

The previous audit was conducted by Barry Robbins Engineering & Project Management in 2009. A number of recommendations were made in the operational audit report. With one exception, all of these issues have been resolved.

2.1.4 Post Audit Implementation Plan

The Post Audit Implementation Plan was developed by the Shire and as such does not form part of the auditor's opinion.

2.1.5 Summary of Issues and Recommendations

Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
<p>Cl. 5 and Cl.21.1</p>	<ul style="list-style-type: none"> ▪ The Annual Performance Report for the year ended 30 June 2010 was submitted late, as referred to in the ERA letter to the Shire dated 20 August 2010; ▪ This letter stated: <i>“As the performance report was submitted after the due date, it will need to be recorded as a non-compliance with Schedule 5, clause 2.1 in next year’s compliance report (for the year ending 30 June 2011).”</i>; ▪ However, the unsigned copy of the Compliance Report for the year ended 30 June 2011, as presented for audit mistakenly refer to the late submission of the Water Performance Report for the year ended 30 June 2011 and not 30 June 2010. The late submission of the Annual Performance Report for the year ended 30 June 2010 was in fact incorrectly recorded in the 2010 Annual Compliance Report (as the late submission only occurred after 30 June 2010); ▪ The Annual Performance Report for the year ended 30 June 2011 was submitted late, as referred to in the ERA letter to the Shire dated 17 August 2011; ▪ This letter stated: <i>“As the performance report was submitted after the due date, it will need to be recorded as a non-compliance with Schedule 5, clause 2.1 in the compliance report for the year ending 30 June 2012.”</i>; ▪ The Compliance Report for the year ended 	<ul style="list-style-type: none"> ▪ An appropriate record should be kept of all disclosure and reporting requirements stipulated in the operating licence provided by the ERA to the Shire. Responsibility for compliance with these requirements should be allocated to a specific person who should pro-actively pursue it; and ▪ In addition, a proper record of all instances of non-compliance with licence conditions should be kept and be appropriately included in the Annual Compliance Report forwarded to the ERA. 		

Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
	<p>30 June 2010 was submitted late as referred to in the ERA letter to the Shire dated 22 September 2010;</p> <ul style="list-style-type: none"> ▪ This letter stated: <p><i>“Failure to provide the compliance report to the Authority by the due date is a non-compliance with the licence and this item should be included in the compliance report for the year ending 30 June 2011.”</i>; and</p> ▪ However, the unsigned copy of the Compliance Report for the year ended 30 June 2011, as presented for audit did not include any reference to the late submission of the Compliance report for the year ending 30 June 2010. 			
Cl. 6 and Sch. 3	<ul style="list-style-type: none"> ▪ The Shire states, in paragraph 1.10 of its ‘End-user Service Charter for Newman Non-Potable Water Supply’ – May 2010’ (Service Charter), it provides a: <p><i>“24 hour emergency contact services to receive advice of emergency situation.”</i>;</p> ▪ An emergency assistance telephone number is provided in the ‘Service Charter; ▪ Mr. Ken Giblett, the Works Supervisor for the Shire is the emergency contact officer; and ▪ However, only the office reception number is provided as an after-hours emergency services number on the Shire’s website. 	<ul style="list-style-type: none"> ▪ The emergency assistance telephone number should be prominently disclosed on the Shire’s website. 		
Cl. 6 & Sch. 3: Cl. 3.1, 3.4, 3.8 and 3.10	<ul style="list-style-type: none"> ▪ The Shire states in paragraph 2.8 of its Service Charter: <p><i>“...an officer of the Shire will personally respond within two business days of the complaint lodgement.”</i>; and</p> <p><i>“...complaints must be resolved within a</i></p> 	<ul style="list-style-type: none"> ▪ The Service Charter should be amended to indicate complaints must be resolved within a period of 15 business days, as stipulated in Schedule 3 to the Operating Licence, and not 15 days as currently stated; and ▪ The Service Charter should be amended to 		

Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
	<p><i>period of 15 days.”</i></p> <ul style="list-style-type: none"> ▪ The Shire further states in paragraph 2.8 of its Service Charter: <i>“If not satisfied with the Shire’s response, or if the matter has not been resolved within a period of 15 days the complainant may refer the matter to the Department of Water.”</i>; and ▪ No reference is made in paragraph 2.8 of the Service Charter to matters which must be considered by a Local Government Authority Council, within 5 business days after the first ordinary Council meeting following the expiry of the 15 business day period. 	<p>include a reference to matters which must be considered by a Local Government Authority Council, within 5 business days after the first ordinary Council meeting following the expiry of the 15 business day period.</p> <ul style="list-style-type: none"> ▪ 		
<p>Cl. 6 & Sch. 3: Cl. 3.1 and 3.9</p>	<ul style="list-style-type: none"> ▪ The Shire does not have a complaints register in place. However, a properly compiled ‘<i>Complaint Registration</i>’ form does exist. This form provides for the capture of an appropriate level of detail in respect of lodged complaints. But, the form is not pre-numbered. 	<ul style="list-style-type: none"> ▪ The ‘<i>Complaint Registration</i>’ forms should be sequentially numbered and filed to help provide an audit trail in respect of complaints received; and ▪ A database should be setup to record complaints. 		
<p>Cl. 6 & Sch. 3: Cl. 3.6 and 3.7</p>	<ul style="list-style-type: none"> ▪ The Shire states in paragraph 2.8 of its Service Charter: <i>“The shire has a written complaints procedure in place and an officer designated to record complaints and to coordinate a response.”</i>; ▪ No complaints procedure manual exists. However, supporting forms to the ‘<i>Complaint Registration</i>’ form exist. These forms deal with: <ul style="list-style-type: none"> ▪ Complaint Resolution; ▪ Closure; and ▪ Non-Closure of complaints. 	<ul style="list-style-type: none"> ▪ A specific person should be allocated the task to: <ul style="list-style-type: none"> ▪ Promptly cooperate with the Department of Water’s request during the process of investigation and conciliation of complaints; ▪ Provide the Department of Water with stipulated information upon request; and ▪ A complaints procedure manual should be compiled and be implemented. 		

Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
	<ul style="list-style-type: none"> ▪ As such, it guides the user to follow a structured process to resolving the complaint; and ▪ As stated above, no complaints procedure manual exist to emphasise the obligations to: <ul style="list-style-type: none"> ▪ Promptly co-operate with the Department of Water's request during the process of investigation and conciliation of complaints; and ▪ Provide the Department of Water with stipulated information upon request. 			
<p>Cl. 8 & Sch. 3: Cl. 4.1 and 4.2</p>	<ul style="list-style-type: none"> ▪ The Shire states in paragraph 2.2 of its Service Charter: <i>"In addition, Council meeting agendas always include an item for discussion/comment on the wastewater services. The dates of Council meetings are advertised in local newspapers and are generally open to members of the public who may ask questions at set times during meetings."</i> ▪ An examination of Minutes of Council Meetings held during the 2011 calendar year disclosed only on one occasion was public question time used. As such, this appears to be an ineffective medium to use for customer consultation; ▪ No meetings with customers take place on a regular basis; ▪ No simple newsletter, providing basic information about the licensee's operations is published; ▪ On an annual basis, a 'Principal Activities Plan' (Plan) is compiled. This plan sets out 	<ul style="list-style-type: none"> ▪ The shire must consult the ERA with respect to the type and extent of customer consultation to be adopted by the Shire undertaken. 		

Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
	<p>the Shire's future activities and budgets. This Plan is approved at a Council meeting which customers may attend. The meeting is advertised in the local newspaper;</p> <ul style="list-style-type: none"> ▪ At present the Shire has only four customers which utilises its non-potable water supply services; and ▪ The Shire did not consult the ERA in respect of the type and extent of customer consultation to be undertaken. 			
Sch. 3: Cl. 5	<ul style="list-style-type: none"> ▪ The Shire states in paragraph 1.6 of its Service Charter: <i>"All non Shire end users will be required to sign a end user agreement setting out the terms and conditions embodied in this charter."</i>; ▪ At present the Shire has only four customers which utilises its non-potable water supply services. These four customers are: <ul style="list-style-type: none"> ▪ Newman Turf Club Inc.; ▪ St John Ambulance Australia (WA); ▪ Newman Lion's Club; and ▪ Newman Senior High School. ▪ With the exception of the Newman Senior High School, 'Agreements to Supply Non Potable Water' was entered into with all other customers. 	<ul style="list-style-type: none"> ▪ The Shire enters into an 'Agreement to Supply Non Potable Water' with the Newman Senior High School at the earliest opportunity. 		
Cl. 20 and Sch. 4	<ul style="list-style-type: none"> ▪ As per the 'Water Compliance Manual Datasheets' for the respective years: <ul style="list-style-type: none"> ▪ 100% of customer complaints were resolved within 15 business days during the 2010 – 2011 reporting year; ▪ 100% of customer complaints were 	<ul style="list-style-type: none"> ▪ The Shire should rather disclose no complaints were received during the audit period (nil return) than converting the absence of complaints to a 100% success rate. 		

Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
	<p>resolved within 15 business days during the 2009 - 2010 reporting period; and</p> <ul style="list-style-type: none"> ▪ 100% of customer complaints were resolved within 15 business days during the 2008 - 2009 reporting year. ▪ The Shire confirmed, in actual fact, no complaints were recorded during the audit period. 			
<p>Cl.21.2 and Sch. 5</p>	<ul style="list-style-type: none"> ▪ Paragraphs 16, 17 and 19 of the 'Water Compliance Reporting Manual', as compiled by the ERA, contain specific performance reporting requirements the Shire has to comply with; ▪ The Annual Performance Report for the year ending 30 June 2011 complies with the specific performance reporting requirements contained in paragraphs 16, 17 and 19 of the 'Water Compliance Reporting Manual', except for the following discrepancies: <ul style="list-style-type: none"> ▪ No answers were provided to a number of items which were left open; and ▪ It incorrectly states 100% of customer complaints were resolved within 15 business days whilst no customer complaints were recorded during the audit period. 	<ul style="list-style-type: none"> ▪ The Shire should: <ul style="list-style-type: none"> ▪ Indicate if a specific item is not applicable instead of leaving it open; and ▪ Disclose no complaints were received during the audit period (nil return) and not convert the absence of complaints to a 100% success rate. 		
<p>Sch. 6</p>	<ul style="list-style-type: none"> ▪ The Shire's Service Charter does not state the written agreement of a property owner is needed to discontinue a service to a property. Furthermore it makes provision for a number of instances where the Shire may cancel the service, none of which directly deals with commercial viability. 	<ul style="list-style-type: none"> ▪ The Service Charter should be appropriately changed to state that the Shire may only, with the written agreement of a property owner, discontinue a service to a property where the servicing of the property is not commercially viable. 		

2.2 Objectives and Scope

The objective of the audit was to provide an assessment of the effectiveness of measures taken by the licensee to meet the obligations of the performance and quality standards referred to in the licence.

The audit has identified areas where improvement is required and recommended corrective actions as deemed necessary.

The audit has applied a risk-based 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 areas:

- **Risk Assessment** – the risks imposed by non-compliance with the licence standards and development of a risk-based audit plan to focus on the higher risks areas, with less intensive coverage of medium and low risk areas;
- **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 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.

2.3 Methodology

2.3.1 Fieldwork

- Conducted an initial meeting with relevant staff at the Shire and reviewed processes to obtain an understanding of procedures, systems and controls in place to ensure compliance with license conditions;
- Evaluated the adequacy of the controls to cover the identified risks and performed more extensive audit testing of higher risk areas to provide sufficient assurance and confirm lower risk areas by discussion and observation;
- Assessed compliance with license conditions over the audit period as well as at the time of the audit;
- Followed up and confirmed action taken on any previous audit recommendations;
- Researched the issues, weaknesses and potential improvements noted from our discussions and review of the existing processes; and

- Developed appropriate recommendations for improvement for discussion with management.

2.3.2 Audit Reporting

- Prior to the conclusion of the audit visit, discussed any observations and recommendations with the representative of the licensee to confirm understanding of the issue and to agree upon the action to be taken;
- Provided a draft report to the licensee for review and response to the recommendations in a 'post-audit implementation plan', including the proposed corrective action and timeframe;
- Provided a final draft report, including the post-audit implementation plan, to the licensee for submission to the Authority for final review and acceptance of the report no later than two weeks before the final report is to be issued;
- Upon acceptance by the Authority, provided a copy of the final report (electronic in Word or PDF format) to the licensee who then provided an electronic copy and three printed copies of the report to the Authority; and
- The Authority may make and publicly distribute copies of the final report and publish results in their entirety or in a comparative report. The Authority will make the report publicly available on the ERA website after the Authority has fulfilled its statutory functions (for example, advising the relevant Minister on the outcomes of the review).

2.4 Time Period Covered in Audit

The audit covered the period from 1 December 2008 to 30 November 2011. The previous audit covered the period from 1 December 2005 to 30 November 2008.

2.5 Time Period of Audit

The audit was conducted from 5 January 2012 to 11 January 2012.

2.6 Licensee's Representatives

Shire of East Pilbara primary contacts were as follows:

Staff	Position
Mr. M. Rowe	Environmental Engineer Shire East Pilbara

2.7 Key Documents and Other Information Sources

- Audit Guidelines: Electricity, Gas and Water Licences (August 2010);
- Water Compliance Reporting Manual (May 2011);
- Operating Licence – Licence No 17 – Shire of East Pilbara (15 May 2009);
- 2008 Operational Audit and Asset Management Review of Newman - Non-Potable Water Supply, Sewerage Services (February 2009);
- Shire of East Pilbara - Operating Area (Sewerage Services)(Plan No.:

OWR-OA-201);

- End User Service Charter for Newman Non-Potable Water Supply (May 2010);
- Shire of East Pilbara – Annual Report – 2009/2010;
- Newman Wastewater Scheme Operations Manual (Rev E);
- Newman Wastewater Scheme Asset Management Manual (Rev B);
- Shire East Pilbara - Water Compliance Manual Datasheets (2008 – 2009, 2009 - 2010 and 2010 – 2011);
- Compliance Reports – Shire East Pilbara (2009 – 2010 and 2010 – 2011);
- Shire of East Pilbara - Newman Wastewater Scheme Treatment Information Brochure 2011;
- Shire of East Pilbara – Agreement to Supply Non Potable Water (June 2011) (as entered into with clients; and
- ERA letters (received over audit period).

2.8 Licensee’s Response to Previous Audit Recommendations

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved/ Unresolved
15(b)	<ul style="list-style-type: none"> That advice that water supplied is not suitable for drinking be included in the Shire’s water Services brochure; and That the brochure be posted to each customer and ratepayer annually – and that the brochure continue to be on display and available free of charge at Council’s offices. 	<ul style="list-style-type: none"> The Shire has produced a Service Charter, which was issued in May 2010; The Shire’s Service Charter was approved by the ERA, as per the ERA’s letter dated 21 May 2010; The Shire states in paragraph 1.7 of its Service Charter: <p><i>“ It is stressed that the water is classed as “Non-potable” and in no circumstances should be used for human consumption, or for irrigation of vegetables consumed uncooked.”;</i></p> The Service Charter is normally prominently displayed in the Shire’s offices. However, at present the Service Charter is not prominently displayed in the Shire’s offices due to refurbishment activities; The Shire confirmed copies of the Service Charter are provided, upon request, and at no charge to customers; and The Shire confirmed copies of the Service Charter were send to all customers after its completion in May 2010. 	<ul style="list-style-type: none"> None 	Resolved
15(c) and Sch. 2	<ul style="list-style-type: none"> That the brochure also includes information regarding emergency telephone numbers and procedures. 	<ul style="list-style-type: none"> The Shire has produced a Service Charter, which was issued in May 2010; The Shire states in paragraph 1.10 of its Service Charter: <p><i>“The East Pilbara Shire maintains a 24 hour</i></p> 	<ul style="list-style-type: none"> None 	Resolved

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved/ Unresolved
		<p><i>emergency contact service to receive advice of emergency situations and implement the necessary investigation and action. Callers will be advised of the situation and action to be taken within one hour of making the emergency call.”; and</i></p> <ul style="list-style-type: none"> ▪ The Service Charter also provides a telephone number for emergencies. 		

2.9 Performance Summary

2.9.1 Compliance Rating Scale

Compliance Status	Rating	Description of Compliance
Compliant	5	<ul style="list-style-type: none"> Compliant with no further action required to maintain compliance.
Compliant	4	<ul style="list-style-type: none"> Compliant apart from minor or immaterial recommendations to improve the strength of internal controls to maintain compliance.
Compliant	3	<ul style="list-style-type: none"> Compliant with major or material recommendations to improve the strength of internal controls to maintain compliance.
Non-Compliant	2	<ul style="list-style-type: none"> Does not meet minimum requirements.
Significantly Non-Compliant	1	<ul style="list-style-type: none"> Significant weaknesses and/or serious action required.
Not Applicable	N/A	<ul style="list-style-type: none"> Determined that the compliance obligation does not apply to the licensee's business operations.
Not Rated	N/R	<ul style="list-style-type: none"> No relevant activity took place during the audit period; therefore it is not possible to assess compliance.

2.9.2 Operational Audit Compliance Summary

Operating Area	Operating Licence Reference (CL = clause, Sch= schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 4.1 for details)						
						1	2	3	4	5	N/A	N/R
Grant of Licence	Cl.2, Sch. 1 & Sch. 2	1	C	L	S					✓		
Term	Cl.3	1	C	L	S						✓	
Fees	Cl.4	1	C	L	S						✓	
Compliance	Cl.5	1	C	L	S		✓					
Customer Complaints	Cl.6 and,	1	B	L	S			✓				

Operating Area	Operating Licence Reference (CL = clause, Sch= schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=unlikely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 4.1 for details)						
						1	2	3	4	5	N/A	N/R
	Sch.3 Cl.3											
Customer Service Charter	Cl.7 and Sch.3 Cl.2	2	C	M	S		✓					
Customer Consultation	Cl.8 and Sch.3 Cl.4	1	C	L	S		✓					
Customer Contracts	Sch.3 Cl.5	2	B	M	S			✓				
Customer Surveys	Sch.3 Cl.6	1	C	L	S						✓	

Operating Area	Operating Licence Reference (CL = clause, Sch= schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=unlikely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 4.1 for details)								
						1	2	3	4	5	N/A	N/R		
Transfer of Licence	Cl.10	N/A – The Authority has the ability to independently assess compliance if the clause is exercised during the audit period.									✓			
Cancellation of Licence	Cl.11												✓	
Surrender of Licence	Cl.12												✓	
Renewal of Licence	Cl.13												✓	
Amendment of Licence	Cl.14												✓	
Accounting Records	Cl.15	1	C	L	S					✓				
Operational Audit	Cl.16	2	C	M	S					✓				
Asset Management System	Cl.17	2	C	M	S					✓				

Operating Area	Operating Licence Reference (CL = clause, Sch= schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=unlikely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 4.1 for details)							
						1	2	3	4	5	N/A	N/R	
Reporting	Cl.18	2	C	M	S								✓
Individual Performance Standards	Cl.19	2	B	M	S						✓		
Service and Performance Standards	Cl.20 and Sch.4	2	B	M	S				✓				
Provision of Information	Cl.21.1	1	C	L	S		✓						
Information Requirements (Reporting)	Cl.21.2 and Sch.5	2	C	M	S				✓				
Publishing Information	Cl.22	1	C	L	S						✓		

Operating Area	Operating Licence Reference (CL = clause, Sch= schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=unlikely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 4.1 for details)						
						1	2	3	4	5	N/A	N/R
Notices	Cl.23	1	C	L	S							✓
Review of the Authority's Decisions	Cl.24	1	C	L	S						✓	
Other Provisions	Sch.6	2	C	M	S		✓					

2.9.3 Observations and Recommendations

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Grant of Licence	Clause 2 & Sch.1 and Sch.2		<ul style="list-style-type: none"> ▪ A licence was awarded by the ERA to the Shire for non-potable water supply services and sewerage services. The licence: <ul style="list-style-type: none"> ▪ Commenced on 30 April 1999; and ▪ Expire on 29 April 2021. ▪ The Shire has in paragraph 1.3 of its 'End-user Service Charter for Newman Non-Potable Water Supply' – May 2010' (Service Charter) stated: <p><i>"The Shire will provide its waste water treatment and disposal services and associated non-potable water supply services in accordance with its Water Services and Department of Environment and Conservation Licences..."</i>;</p> ▪ The Shire confirmed it only provides non-potable water and sewerage services to customers; ▪ Plan number: OWR-OA-201(A) is indicated as the operating area for the provision of non-potable water and sewerage services; and ▪ The Shire acknowledges Plan Number OWR-OA-201(A) as the primary reference for the operating area in which it provides water services (Table 2 on page 6 of the 'Newman Wastewater Scheme Operations Manual (Rev E)'). 	<ul style="list-style-type: none"> ▪ No recommendation. 	5
Term	Clause 3		<ul style="list-style-type: none"> ▪ Shire confirmed the water services operating licence was not cancelled during the audit period; ▪ The Shire confirmed the water services operating licence was not surrendered during the audit period; and ▪ The licence awarded for non-potable water supply 	<ul style="list-style-type: none"> ▪ No recommendation. 	N/A

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			services and sewerage services expire on 29 April 2021 (as per schedule 1 to the Water Services Operating Licence).		
Fees	Clause 4		<ul style="list-style-type: none"> The Shire confirmed no licence fees are payable in respect of the water licence. 	<ul style="list-style-type: none"> No recommendation. 	N/A
Compliance	Clause 5		<ul style="list-style-type: none"> The Shire is required to comply with the Water Services Licensing Act 1995 (WA); Key legislative requirements are incorporated into the water services operating license held by the Shire. Therefore, by complying with the licence requirements, the Shire complies with the applicable legislation; The Shire acknowledges the conditions pertaining to the water services operating licence (as per Table 2 on page 6 of the 'Newman Wastewater Scheme Operations Manual (Rev E)'); The Annual Performance Report for the year ended 30 June 2010 was submitted late, as referred to in the ERA letter to the Shire dated 20 August 2010; This letter stated: <i>"As the performance report was submitted after the due date, it will need to be recorded as a non-compliance with Schedule 5, clause 2.1 in next year's compliance report (for the year ending 30 June 2011)."</i>; However, the unsigned copy of the Compliance Report for the year ended 30 June 2011, as presented for audit mistakenly refer to the late submission of the Water Performance Report for the year ended 30 June 2011 and not 30 June 2010. The late submission of the Annual Performance Report for the year ended 30 June 2010 was in fact incorrectly recorded in the 2010 Annual Compliance Report; 	<ul style="list-style-type: none"> An appropriate record should be kept of all disclosure and reporting requirements stipulated in the operating licence provided by the ERA to the Shire. Responsibility for compliance with these requirements should be allocated to a specific person who should pro-actively pursue it; and In addition, proper record of all instances of non-compliance with licence conditions should be kept and be appropriately included in the Annual Compliance Report forwarded to the ERA. 	2

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<ul style="list-style-type: none"> ▪ The Annual Performance Report for the year ended 30 June 2011 was submitted late, as referred to in the ERA letter to the Shire dated 17 August 2011; ▪ This letter stated: <i>“As the performance report was submitted after the due date, it will need to be recorded as a non-compliance with Schedule 5, clause 2.1 in the compliance report for the year ending 30 June 2012.”;</i> ▪ The letters received in respect of the late submission of the Annual Performance Reports for the years ended 30 June 2010 and 30 June 2011 did not stipulate any specific steps to follow in future beyond recording it as a non-compliance in the compliance reports for the subsequent year; ▪ The Compliance Report for the year ended 30 June 2010 was submitted late as referred to in the ERA letter to the Shire dated 22 September 2010; ▪ This letter stated: <i>“Failure to provide the compliance report to the Authority by the due date is a non-compliance with the licence and this item should be included in the compliance report for the year ending 30 June 2011.”;</i> ▪ However, the unsigned copy of the Compliance Report for the year ended 30 June 2011, as presented for audit did not include any reference to the late submission of the Compliance report for the year ending 30 June 2010; ▪ The Shire only issued its Service Charter in May 2010; ▪ The ERA stated in its letter to the Shire dated 31 August 2009: 		

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p>“...the only reportable non-compliance for the year ending 30 June 2009 was that the Shire of East Pilbara (Shire) did not have a customer service charter. The Secretariat notes the action the Shire is taking to address this non-compliance.”;</p> <ul style="list-style-type: none"> ▪ The ERA letter received in respect of the lack of a Service Charter did not stipulate any specific steps to follow in future beyond the reference to the actions undertaken by the Shire at that stage; and ▪ The Shire’s Service Charter was approved by the ERA, as per their letter to the Shire dated 21 May 2010. 		
Customer Complaints	Clause 6 and Schedule 3 Cl.3		<ul style="list-style-type: none"> ▪ The Shire has implemented the following customer complaints processes, as per paragraph 1.10 and 2.8 of its Service Charter: <ul style="list-style-type: none"> ▪ Emergency Assistance; and ▪ Complaints and dispute resolution. ▪ The Shire states in paragraph 1.10 of its Service Charter, it provides a: <p>“24 hour emergency contact services to receive advice of emergency situations...”;</p> ▪ An emergency assistance telephone number is provided in paragraph 1.10 of the Service Charter; ▪ Mr. Ken Giblett, the Works Supervisor for the Shire is the emergency contact officer; ▪ However, only the office reception number is provided as an after hours emergency services number on the Shire’s website; ▪ The Shire states in paragraph 2.8 of its Service Charter: <p>“...an officer of the Shire will personally respond within two business days of the complaint lodgement.”; and</p> 	<ul style="list-style-type: none"> ▪ The emergency assistance telephone number should be prominently disclosed on the Shire’s website; ▪ The Service Charter should be amended to indicate complaints must be resolved within a period of 15 business days; ▪ The ‘Complaint Registration’ forms should be sequentially numbered and filed to help provide an audit trail in respect of complaints received; ▪ A specific person should be allocated the task to promptly cooperate with the Department of Water’s request during the process of investigation and conciliation of complaints; A specific person should be allocated the task to provide the Department of Water with stipulated information upon request; and ▪ The Service Charter should be amended to include a reference to matters which must be considered by a Local Government Authority Council, within 5 business days after the first ordinary Council meeting following the expiry of the 15 business day period. 	3

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p>“...complaints must be resolved within a period of 15 days.”</p> <ul style="list-style-type: none"> ▪ The Shire further states in paragraph 2.8 of its Service Charter: <p>“If not satisfied with the Shire’s response, or if the matter has not been resolved within a period of 15 days the complainant may refer the matter to the Department of Water...”;</p> ▪ The Shire states in paragraph 2.8: <p>“The shire has a written complaints procedure in place and an officer designated to record complaints and to coordinate a response.”;</p> ▪ The Shire stated no complaints were recorded during the audit period; ▪ The Shire does not have a complaints register in place. However, a properly compiled ‘Complaint Registration’ form does exist. This form provides for the capture of an appropriate level of detail in respect of lodged complaints. But, the form is not pre-numbered; ▪ Furthermore, no complaints procedure manual exists. However, supporting forms to the ‘Complaint Registration’ form exist. These forms deal with: <ul style="list-style-type: none"> ▪ Complaint Resolution; ▪ Closure; and ▪ Non-Closure of complaints. <p>As such, it guides the user to follow a structured process to resolving the complaint;</p> ▪ As stated above, no complaints procedure manual exist to emphasise the obligations to: <ul style="list-style-type: none"> ▪ Promptly co-operate with the Department of Water’s request during the process of investigation and conciliation of complaints; 		

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p>and</p> <ul style="list-style-type: none"> ▪ Provide the Department of Water with stipulated information upon request. ▪ No reference is made in paragraph 2.8 of the Service Charter to matters which must be considered by a Local Government Authority Council, within 5 business days after the first ordinary Council meeting following the expiry of the 15 business day period. 		
Customer Service Charter	Clause 7 & Schedule 3 Clause 2		<ul style="list-style-type: none"> ▪ The Shire has produced a Service Charter which was only issued in May 2010. The Shire thus did not have a Service Charter for a significant portion of the audit period; ▪ The Shire's Service Charter was approved by the ERA as per their letter to the Shire dated 21 May 2010; ▪ The Service Charter is drafted in 'plain English'; ▪ The Service Charter is comprehensive; ▪ No distinction is made in the Service Charter between classes of customers; ▪ The Shire states in paragraph 1.4 of its Service Charter it: <i>"...will make the service charter available to end users (and its ratepayers) in the following ways:</i> <ol style="list-style-type: none"> 1) <i>By displaying it in the reception area of its offices.</i> 2) <i>By providing a free copy of the charter on request.</i> 3) <i>By providing end users a copy of the charter once every three years as per Schedule 3, clause 2.5(c) of the Shire's Licence."</i> ▪ The Shire confirmed the Service Charter is normally prominently displayed in the Shire's offices. However, at present the Service Charter is 	No recommendation.	2

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p>not prominently displayed in the Shire's offices due to refurbishment activities;</p> <ul style="list-style-type: none"> ▪ The Shire confirmed copies of the Service Charter are provided, upon request, and at no charge to customers; ▪ The Shire confirmed copies of the Service Charter were send to all customers after its completion in May 2010; ▪ The Shire need only review and forward the Service Charter to the ERA for approval by 21 May 2013 (as per the ERA's letter dated 21 May 2010); and ▪ The audit concluded the RIA is providing its services consistent with the Customer Service Charter. 		
Customer Consultation	Clause 8 & Schedule 3 Clause 4		<ul style="list-style-type: none"> ▪ The Shire states in paragraph 2.2 of its Service Charter it : <i>"...is committed to informing and consulting with its non-potable water end users and its ratepayers, regarding its services, their operations and development programs."</i>; ▪ No Customer Council exists for the Shire; ▪ The Shire states in paragraph 2.2 of its Service Charter: <i>"In addition, Council meeting agendas always include an item for discussion/comment on the wastewater services. The dates of Council meetings are advertised in local newspapers and are generally open to members of the public who may ask questions at set times during meetings."</i>; ▪ The Shire stated no meetings with customers take place on a regular basis; ▪ The Shire stated no simple newsletter, providing basic information about the licensee's operations 	<ul style="list-style-type: none"> ▪ The Shire must consult the ERA with respect to the type and extent of customer consultation to be adopted by the Shire. 	2

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p>is published;</p> <ul style="list-style-type: none"> ▪ On an annual basis, a 'Principal Activities Plan' (Plan) is compiled. This plan sets out the Shire's future activities and budgets therefore. This Plan is approved at a Council meeting which customers may attend. The meeting is advertised in the local newspaper; ▪ An examination of Minutes of Council Meetings held during the 2011 calendar year disclosed only on one occasion was public question time used. As such, this appears to be an ineffective medium to use for customer consultation; ▪ At present the Shire has only four customers which utilises its non-potable water supply services; ▪ The Shire did not consult the ERA in respect of the type and extent of customer consultation to be undertaken; ▪ The Shire did not, nor did the ERA request the establishment of other forums for consultation; and ▪ The Shire confirmed no major changes were made to the operation of the water services during the audit period. 		
Customer Contracts	Schedule 3 Clause 5		<ul style="list-style-type: none"> ▪ The Shire states in paragraph 1.6 of its Service Charter: <i>"All non Shire end users will be required to sign a end user agreement setting out the terms and conditions embodied in this charter."</i>; ▪ At present the Shire has only four customers which utilises its non-potable water supply services. These four customers are: <ul style="list-style-type: none"> ▪ Newman Turf Club Inc.; 	<ul style="list-style-type: none"> ▪ The Shire enters into an 'Agreement to Supply Non Potable Water' with the Newman Senior High School at the earliest opportunity. 	3

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<ul style="list-style-type: none"> ▪ St John Ambulance Australia (WA); ▪ Newman Lion's Club; and ▪ Newman Senior High School. ▪ With the exception of the Newman Senior High School, 'Agreements to Supply Non Potable Water' were entered into with all other customers; ▪ The Shire stated there are no addenda or letters of exchange beyond the end-user agreements and accompanying letters presented for audit; and ▪ None of these agreements entered into with customers appear to exclude, modify or restrict the terms and conditions of the water services operating licence. 		
Customer Surveys	Schedule 3 Clause 6		<ul style="list-style-type: none"> ▪ The Shire confirmed no independent customer survey was requested by the ERA during the audit period. 	<ul style="list-style-type: none"> ▪ No recommendation. 	N/A
Transfer of Licence	Clause 10		<ul style="list-style-type: none"> ▪ The Shire confirmed the water services operating licence was not transferred during the audit period. 	<ul style="list-style-type: none"> ▪ No recommendation. 	N/A
Cancellation of Licence	Clause 11		<ul style="list-style-type: none"> ▪ The Shire confirmed the water services operating licence was not cancelled during the audit period. 	<ul style="list-style-type: none"> ▪ No recommendation. 	N/A
Surrender of Licence	Clause 12		<ul style="list-style-type: none"> ▪ The Shire confirmed the water services operating licence was not surrendered during the audit period. 	<ul style="list-style-type: none"> ▪ No recommendation. 	N/A
Renewal of Licence	Clause 13		<ul style="list-style-type: none"> ▪ The licence was not renewed during the audit period; and ▪ A licence was awarded by the Economic Regulation Authority (ERA) to the Shire of East Pilbara (Shire) for non-potable water supply services and sewerage services. The licence: 	<ul style="list-style-type: none"> ▪ No recommendation. 	N/A

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<ul style="list-style-type: none"> Commenced on 30 April 1999; and Expire on 29 April 2021. 		
Amendment of Licence	Clause 14		<ul style="list-style-type: none"> The licence was amended during the audit period; Version 'OL2' of 'Operating Licence 17' was issued and is dated 15 May 2009; and The purpose of the amendment to the Operating Licence was to remove the requirement to report incidents. 	<ul style="list-style-type: none"> No recommendation. 	N/A
Accounting Records	Clause 15		<ul style="list-style-type: none"> The Shire states on page 36 of the Annual Report 2009/2010: <i>"The financial report is a general purpose financial report which has been prepared in accordance with applicable Australian Accounting Standards (as they apply to local governments and not-for-profit entities), other mandatory professional reporting requirements and the local government Act 1995 (as amended) and accompanying regulations (as amended)."</i>; The Shire uses Synergy Soft accounting software to maintain its accounting records; Accounting records are maintained by the Finance area who reports to the Director of Corporate Services – Sian Appleton; An annual audit is conducted by an independent auditor on the financial statements of the Shire. The independent auditor expressed an unqualified audit opinion for the 2009 – 2010 financial year; The independent auditor in his audit opinion stated: <i>" In our opinion, the financial report presents fairly, in all material respects, the financial position of Shire of East Pilbara as of 30 June 2010 and of its financial performance and its cash flows for the year then ended in accordance</i> 	<ul style="list-style-type: none"> No recommendation. 	5

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p><i>with the accounting policies described in Note 1 to the financial statements.”; and</i></p> <ul style="list-style-type: none"> The Shire’s Annual report for the 2010/2011 financial year has not yet been published at the time the audit was conducted. 		
Operational Audit	Clause 16		<ul style="list-style-type: none"> The previous operational audit was conducted for the year 1 December 2005 to 30 November 2008; The current operational audit covers the period 1 December 2008 to 30 November 2011 (2008/2011 audit); The approval of the 36 months period of the current audit (1 December 2008 to 30 November 2011) is contained in the ERA letter to the Shire dated 24 November 2011; The Audit Plan for the 2008/2011 audit includes: <ul style="list-style-type: none"> Audit objectives and scope (par. 2.1); Proposed audit approach (par.4.1); and Audit reporting (par 4.3). The Shire confirmed no review was sought of any of the requirements of the ERA’s standard audit guidelines during the audit period; The approval of the appointment of the Paxon Group to conduct the audit for the period 1 December 2008 to 30 November 2011 is included in the ERA’s letter to the Shire dated 24 November 2011; and The audit fieldwork for the 2008/2011 audit only commenced on 5 January 2012. 	<ul style="list-style-type: none"> No recommendation. 	5
Asset Management System	Clause 17		<ul style="list-style-type: none"> The Shire uses Romans 2 and Synergy Soft Asset Management Module to account for assets; The Shire has two documents which deal with asset management: 	<ul style="list-style-type: none"> No recommendation. 	5

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<ul style="list-style-type: none"> ▪ Asset Management Manual (Rev B); and ▪ Operations Manual (Rev E). ▪ At present, the Shire is in the process of updating the Asset Management Plan; ▪ The Shire confirmed no material changes to the asset management system took place during the audit period; ▪ The previous asset management system review was conducted for the year 1 December 2005 to 30 November 2008; ▪ The current asset management system review covers the period 1 December 2008 to 30 November 2011 (2008/2011 review); ▪ The approval of the 36 months period of the current review (1 December 2008 to 30 November 2011) is contained in the ERA letter to the Shire dated 24 November 2011; ▪ The Audit Plan for the 2008/2011 review includes: <ul style="list-style-type: none"> ▪ Audit objectives and scope (par. 2.2); ▪ Proposed audit approach (par.4.2); and ▪ Audit reporting (par 4.3). ▪ The Shire confirmed no review was sought of any of the requirements of the ERA's standard audit guidelines during the audit period; ▪ The approval of the appointment of the Paxon Group to conduct the review for the period 1 December 2008 to 30 November 2011 is included in the ERA's letter to the Shire dated 24 November 2011; and ▪ The audit fieldwork for the 2008/2011 review only commenced on 5 January 2012. 		
Reporting	Clause 18		<ul style="list-style-type: none"> ▪ The Shire confirmed it was not under external 	<ul style="list-style-type: none"> ▪ No recommendation. 	N/R

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p>administration during the audit period; and</p> <ul style="list-style-type: none"> The Shire confirmed no significant change occurred in its corporate, financial or technical circumstances upon which the water service operating licence was granted during the audit period. 		
Individual Performance Standards	Clause 19		<ul style="list-style-type: none"> The Shire confirmed the ERA did not prescribe any individual performance standards in relation to the licensee. 	<ul style="list-style-type: none"> No recommendation. 	N/A
Service and Performance Standards	Clause 20 & Schedule 4		<ul style="list-style-type: none"> The Shire gathers performance information on a daily basis. This information is accumulated into annual reports which are presented to the Department of Environment and Conservation. This information also forms the basis for the provision of the performance information presented in terms of the Water Services Operating Licence. <p>Customer Service Standards</p> <p>Emergency Response</p> <ul style="list-style-type: none"> As per 'Water Compliance Manual Datasheets': <ul style="list-style-type: none"> No calls for emergency assistance were received during the 2010 - 2011 reporting year; 100% of customers were, within one hour of reporting an emergency, advised of the nature and timing of the action to be undertaken by the licensee during the 2009 - 2010 reporting period; and No details were provided for emergency assistance in respect of the 2008 - 2009 reporting year. <p>However, as this matter has been appropriately disclosed in the 2 years thereafter, no</p>	<ul style="list-style-type: none"> The Shire should rather disclose no complaints were received during the audit period (nil return) than converting the absence of complaints to a 100% success rate. 	4

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p>recommendation is made.</p> <p>Customer Complaints</p> <ul style="list-style-type: none"> ▪ As per 'Water Compliance Manual Datasheets': <ul style="list-style-type: none"> ▪ 100% of customer complaints were resolved within 15 business days during the 2010 – 2011 reporting year; ▪ 100% of customer complaints were resolved within 15 business days during the 2009 – 2010 reporting period; and ▪ 100% of customer complaints were resolved within 15 business days during the 2008 – 2009 reporting year. ▪ The Shire confirmed, in actual fact, no complaints were recorded during the audit period. <p>Sewerage Services</p> <p>Continuity and Overflows</p> <ul style="list-style-type: none"> ▪ As per 'Water Compliance Manual Datasheets': <ul style="list-style-type: none"> ▪ No sewer breaks and chokes (per 100km of sewer main) occurred during the 2010 – 2011 reporting year; ▪ No sewer breaks and chokes (per 100km of sewer main) occurred during the 2009 – 2010 reporting period; and ▪ No sewer breaks and chokes (per 100 km of sewer main) occurred during the 2008 – 2009 reporting year. <p>Continuity and Overflows</p> <ul style="list-style-type: none"> ▪ As per 'Water Compliance Manual Datasheets': <ul style="list-style-type: none"> ▪ No sewer overflows were reported to the environmental regulator nor did any connected property experience a wastewater overflow during the 2010 – 2011 reporting 		

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p>year;</p> <ul style="list-style-type: none"> ▪ No sewer overflows were reported to the environmental regulator nor did any connected property experience a wastewater overflow during the 2009 – 2010 reporting period; and ▪ No sewer overflows were reported to the environmental regulator nor did any connected property experience a wastewater overflow during the 2008 – 2009 reporting year. 		
Provision of Information	Clause 21.1		<ul style="list-style-type: none"> ▪ As per the 'Water Compliance Reporting Manual', as compiled by the ERA, the Shire is required to submit: <ul style="list-style-type: none"> ▪ An annual performance report to the ERA by 31 July for the year ending 30 June; and ▪ An annual compliance report to the ERA by 31 August for the year ending 30 June. ▪ The Annual Compliance Reports for the years ending 30 June 2009 and 30 June 2011 was submitted on time; ▪ The Compliance Report for the year ended 30 June 2010 was submitted late as referred to in the ERA letter to the Shire dated 22 September 2010; ▪ This letter stated: <p><i>“Failure to provide the compliance report to the Authority by the due date is a non-compliance with the licence and this item should be included in the compliance report for the year ending 30 June 2011.”;</i></p> ▪ However, the unsigned copy of the Compliance Report for the year ended 30 June 2011, as presented for audit did not include any reference 	<ul style="list-style-type: none"> ▪ An appropriate record should be kept of all disclosure and reporting requirements stipulated in the operating licence provided by the ERA to the Shire .Responsibility for compliance with these requirements should be allocated to a specific person who should pro-actively pursue it; and ▪ In addition, proper record of all instances of non-compliance with licence conditions should be kept and be appropriately included in the Annual Compliance Report forwarded to the ERA. 	2

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p>to the late submission of the Compliance report for the year ending 30 June 2010;</p> <ul style="list-style-type: none"> ▪ The Annual Performance Report for the year ended 30 June 2010 was submitted late, as referred to in the ERA letter to the Shire dated 20 August 2010; ▪ This letter stated: <i>“As the performance report was submitted after the due date, it will need to be recorded as a non-compliance with Schedule 5, clause 2.1 in next year’s compliance report (for the year ending 30 June 2011).”</i>; ▪ However, the unsigned copy of the Compliance Report for the year ended 30 June 2011, as presented for audit mistakenly refer to the late submission of the Water Performance Report for the year ended 30 June 2011 and not 30 June 2010. The late submission of the Annual Performance Report for the year ended 30 June 2010 was in fact incorrectly recorded in the 2010 Annual Compliance Report; ▪ The Annual Performance Report for the year ended 30 June 2011 was submitted late, as referred to in the ERA letter to the Shire dated 17 August 2011; ▪ This letter stated: <i>“As the performance report was submitted after the due date, it will need to be recorded as a non-compliance with Schedule 5, clause 2.1 in the compliance report for the year ending 30 June 2012.”</i>; ▪ The letters received in respect of the late submission of the Annual Performance Reports for the years ended 30 June 2010 and 30 June 2011 did not stipulate any specific steps to follow in future beyond recording it as a non-compliance in the compliance reports for the subsequent year; ▪ The Shire only issued its Service Charter in May 		

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p>2010;</p> <ul style="list-style-type: none"> The ERA stated in its letter to the Shire dated 31 August 2009: <i>"...the only reportable non-compliance for the year ending 30 June 2009 was that the Shire of East Pilbara (Shire) did not have a customer service charter. The Secretariat notes the action the Shire is taking to address this non-compliance."</i>; The ERA letter received in respect of the lack of a Service Charter did not stipulate any specific steps to follow in future beyond the reference to the actions undertaken by the Shire at that stage; and The Shire's Service Charter was approved by the ERA, as per their letter dated 21 May 2010. 		
Information Requirements (Reporting)	Cl. 21.2 and Schedule 5		<ul style="list-style-type: none"> The Annual Performance Report for the year ending 30 June 2011 complies with the specific performance reporting requirements contained in paragraphs 16, 17 and 19 of the Water Compliance Reporting Manual, as compiled by the ERA, except for the following discrepancies: <ul style="list-style-type: none"> No answers were provided to a number of items which were left open; and It incorrectly states 100% of customer complaints were resolved within 15 business days whilst no customer complaints were recorded during the audit period. 	<ul style="list-style-type: none"> The Shire should: <ul style="list-style-type: none"> Indicate if a specific item is not applicable instead of leaving it open; and Disclose no complaints were received during the audit period (nil return) and not convert the absence of complaints to a 100% success rate. 	4
Publishing Information	Clause 22		<ul style="list-style-type: none"> The Shire confirmed the ERA did not direct the Shire to publish any information. 	<ul style="list-style-type: none"> No recommendation. 	N/A
Notices	Clause 23		<ul style="list-style-type: none"> The Shire confirmed no notices were issued during the audit period. 	<ul style="list-style-type: none"> No recommendation. 	N/R
Review of the Authority's Decisions	Clause 24		<ul style="list-style-type: none"> The Shire confirmed no review was sought of any reviewable decision during the audit period. 	<ul style="list-style-type: none"> No recommendation. 	N/A

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Other Provisions	Schedule 6		<ul style="list-style-type: none"> ▪ The Shire's Service Charter has not recorded <i>conditions</i> for connection to the non potable water system; ▪ It is stated: in paragraph 2.5 of the Service Charter: <i>"At its sole discretion, the Shire may allow additional connections to its non-potable water reticulation system at such time and under such conditions as determined by the Shire."</i>; ▪ The Shire's Service Charter was approved by the ERA, as per their letter dated 21 May 2010; ▪ The Service Charter is normally prominently displayed in the Shire's offices. However, audit noted at present the Service Charter is not prominently displayed in the Shire's offices due to refurbishment activities; ▪ The Shire confirmed copies of the Service Charter are provided, upon request, and at no charge to customers; ▪ The Shire confirmed copies of the Service Charter were send to all customers after its completion in May 2010; ▪ No formal requests for connection were refused during the audit period; ▪ The Shire's Service Charter does not state the written agreement of a property owner is needed to discontinue a service to a property. Furthermore it makes provision for a number of instances where the Shire may cancel the service, none of which directly deals with commercial viability; and ▪ The Shire confirmed no services were discontinued during the audit period. 	<ul style="list-style-type: none"> ▪ The Service Charter should be appropriately changed to state that the Shire may only, with the written agreement of a property owner, discontinue a service to a property where the servicing of the property is not commercially viable. 	2

3

Asset Management System Review

3.1 Introduction

The WWTP accepts raw sewage flows from the residential, commercial and industrial land use areas within the Newman town site boundaries.

Treated waste water effluent from the plant is discharged to a major on-site storage within the WWTP site. Following chlorination, the effluent is discharged via a header tank and reticulation system for disposal by irrigation - to Council owned grassed recreational facilities. When water is available the High School playing field, some verges within the town site and the race course outside the town site may take water free of charge for non-potable use.

The raw sewage collection system discharging to the plant is owned and operated by the Water Corporation. The effluent disposal reticulation is owned by the Council and operated by its Parks and Gardens Department. Although treated effluent from the plant is pumped to the town site and disposed of by reticulation to town ovals and other areas, the disposal facilities are not included in the Water Services Licence.

The effluent quality and disposal procedures are the subject of a Department of Environment & Conservation (DEC) Licence and the regulatory requirements of the Western Australian Health Department (WAHD).

Costs of operating the plant and its effluent disposal system are covered by a Special Area Rate levied annually on all rateable properties in the Newman town site. Council strikes this rate under the Health Act. The Water Corporation also contributes to the cost of operating the treatment and disposal system – from rates it levies on rateable properties in Newman in connection with its operation of the town sewage collection system.

Executive responsibility for the plant rests with Council's CEO. The plant is actually operated through Council's Technical Services Department - with day to day operations, maintenance, repairs etc undertaken via Council's depot – by a staff member responsible for undertaking all daily checks, maintenance, sampling, recording and reporting. Results are reported daily to Council's Consultant / Manager, who assesses the results, operational reports etc and directs the Operator on actions / activities to be undertaken in connection with the plant and disposal reticulation operations. The Consultant also maintains management contact with Authorities and Licensors of the plant and prepares reports, estimates etc to Council as required.

3.2 Objectives and Scope

The *Water Services Licensing Act 1995* requires that the Shire provide for and maintain an asset management system. The system should set out the

processes to be taken by the Shire to ensure the proper planning, operation, financing, maintenance, repair and renewal of its assets and for monitoring of its water services.

The Act requires the Shire to provide the ERA with a report by an independent expert on the effectiveness of the system.

Such a review provides ERA with an independent opinion on whether or not the Shire has in place appropriate systems for the planning, construction, operation and maintenance of its water services assets.

The review therefore examined:

- The adequacy or otherwise of the outputs of the system - including documentation of performance standards and statutory requirements, system opportunities and threats, preparation of operations manuals, maintenance schedules and action records, registers of the location, condition, age etc of assets;
- The extent to which the risks associated with the system environment and/or unexpected system failures have been assessed, quantified, documented within contingency plans and reduced by specific practices - such as stocking selected spare parts or, equipment items subject to extended delivery or repair periods, overflow storage etc;
- The existence and effectiveness of systems implemented for the assessment, planning, financing and construction of new, replacement and major maintenance works and disposal of redundant assets;
- Whether or not the system has been subject to regular internal review; with systems in place to ensure that plans are regularly updated to current status, provide for prior identification of new or replacement assets, their implementation; and initiatives to improve the overall effectiveness of the asset management system;
- The Shire's response to the recommendations made in previous reviews; and
- The review also identifies any aspects of the asset management system, which are considered to require correction, amendment, or improvement.

3.3 Key Documents Inspected During the Review

- Shire of East Pilbara's Operating Licence No.17 for the Newman Waste Water Treatment Plant, issued by the ERA;
- Shire of East Pilbara's Licence No. L6870/1993/12 for the operational performance of the plant, issued by the WA Department of Environment and Conservation (DEC);
- Shire of East Pilbara Annual Reports to ERA and DEC over the review period as required by the respective licences;
- ERA letters acknowledging receipt of the above reports;
- Shire of East Pilbara – Newman Waste Water Scheme Treatment – Information Brochure;
- Approved budget of income and expenditure (capital works, maintenance, labour etc) for the treatment plant - for the 2009/2010, 2010/2011 and 2011/2012 financial years;
- November monthly financial statement for the Treatment Plant showing

actual versus budget expenditure;

- Running five years estimate of annual income, operating costs and capital works expenditure for the period 2009/2010 to 2013/2014. The estimate for 2014/2015 is currently being prepared;
- Newman Waste Water Treatment Plant Asset Management Plan (Rev. B) 2011;
- Newman Waste Water Scheme Operations Manual (Rev. E) November 2011;
- Treatment Plant Daily Inspection reports and Malfunction reports - including action taken, sign-off following repair, together with plant performance (flow, water temperature and dissolved oxygen levels in the plant);
- Minutes of Technical Services Group meetings;
- Record of treatment plant inductees and dates of induction; and
- DEC 2011 report on treatment plant condition.

3.4 Time Period Covered in Review

The audit covered the period from 1 December 2008 to 30 November 2011. The previous audit covered the period from 1 December 2005 to 30 November 2008.

3.5 Time Period of Review

The audit was conducted on 5 January 2012.

3.6 Licensee's Representatives

Shire of East Pilbara primary contacts are as follows:

Staff	Position
Mr. A. Cooper	CEO
Ms. S. Appleton	Deputy CEO
Mr. M. Rowe	Environmental Engineer
Mr. E Mesaka	Manager Development Services, Health
Ms. C. Giblett	Expenditure Finance Officer
Ms. L. Moss	Senior Finance Officer
Ms. R. Langoulant	Technical Services Administration Officer
Mr. Weir	Treatment Plant Operator

3.7 Post Review Implementation Plan

The Post Review Implementation Plan was developed by the Shire and as such does not form part of the auditor's opinion.

3.8 Licensees Response to Previous Review Recommendations

Licence Reference	Condition	Recommendation	Action Taken	Further Action Required	Resolved / Unresolved
Asset Management Brochure (Note: This document is now referred to as the Asset Management Manual)		<ul style="list-style-type: none"> That the operations, maintenance, regulatory requirements etc. of the WWTP and Effluent Reticulation / Distribution System respectively, be contained in two separate documents or as distinct separate sections of a single AMB document; That all relevant printed material not included in the AMB be included within the text of the AMB and that disc copies of electronic information be contained in a pocket attached to an inside cover of the brochure; That all material be appropriately titled and included in a logical sequence within the brochure and all areas appropriately cross-referenced; and That a general arrangement plan of the plant which identifies major items of equipment should be included in the AMB. Similarly, an organisation diagram showing lines of responsibility and general duties should be included. 	<ul style="list-style-type: none"> Essentially Complete; Complete; Essentially Complete; and Plan provided but organization diagram not provided. 	<ul style="list-style-type: none"> Requires minor editing and rearrangement as discussed with Consultant; Requires minor re-arrangement as discussed with Consultant; and Organisation diagram to be included. 	Unresolved
Asset Maintenance		<ul style="list-style-type: none"> That the list of spare parts held be extended to include the plant location of such spares. 	<ul style="list-style-type: none"> Complete. 		Resolved
Contingency Planning		<ul style="list-style-type: none"> That precautions listed in the risk management register should be expanded in more detail and included as "contingency plans" in the risk management register – or as a separate section of contingency plans; and The above should include the procedure for loan of a standby generator from BHP in the 	<ul style="list-style-type: none"> Only partially addressed by expansion of the risk management assessment and accompanying statements of the ongoing maintenance/replacement procedures implemented to mitigate these risks. 	<ul style="list-style-type: none"> To be completed as originally recommended in the 2008 review. 	Unresolved

Licence Reference	Condition	Recommendation	Action Taken	Further Action Required	Resolved / Unresolved
		event of a power failure.			
Management review	Plan	<ul style="list-style-type: none"> That a review of the management plan be undertaken at least annually and following major plant alterations or extensions. Such reviews should consider the need to amend operating, maintenance procedures, spare parts lists and assets register etc; and The annual reviews should wherever possible, be undertaken by the Technical Services Group or the Shire's Consultant, who should sign off the review to file. 	<ul style="list-style-type: none"> Partial compliance; Reviewed and re-drafted only for the 2011 review; and Reviews have been undertaken mainly by the Shire's Consultant and issued as revisions rather than being signed off. 	<ul style="list-style-type: none"> Comply with the 2011 review recommendation. 	Unresolved

3.9 Summary of Issues and Recommendations

Key Process	Issue	Recommendations	Post Implementation Plan	Review Date / of Implementation	Person Responsible
Environmental Analysis	<ul style="list-style-type: none"> Whilst identifying licence changes as possible impacts on the regulatory environment, only plant inflow variations are identified as factors impacting the physical environment of the plant. Other factors such as power or equipment failure, fire, etc are mentioned in the later risk analysis, but not at the operating environment analysis stage. 	<ul style="list-style-type: none"> The process to identify the physical factors associated with the operating environment of the plant should be broadened to coincide with the factors dealt with in the risk analysis / management and contingency plans. 			
Asset Management Information System	<ul style="list-style-type: none"> It is noted that copies of various correspondence, reports, completed check lists and test results etc related to the treatment plant are held by various persons and at different locations. However, there is no single source where all this information is available. Reviewer's opinion is that electronic copies of all information should be placed on the Synergy system software so that a complete picture of all available information is promptly available from a single central source. 	<ul style="list-style-type: none"> That Council gives consideration to scanning all relevant information (held at various locations by different treatment plant related staff) and filing within the Synergy system to enable all relevant operations and other information to be accessed at a single source, and distributed to others and Authorities as appropriate. <p>This recommendation is not intended to remove hard copy information from those who currently produce or require it. Extension of the Synergy system to the treatment plant is not considered necessary.</p>			
Contingency Planning	<ul style="list-style-type: none"> There are no written procedures associated with the occurrence of most of the events listed in the Risk Register. For example: what action and/or reporting, should be followed by the operator in the event of a power or equipment failure, fire, cyclonic threat etc. What are the procedures for by-pass to the storage or the temporary disposal area? 	<ul style="list-style-type: none"> The contingency plans for each identified risk should be detailed as requested in the 2008 review. 			
Review of Asset Management System	<ul style="list-style-type: none"> It is accepted that the assets are well managed and that few (if any) changes occur between independent reviews – prior to which the asset management plan is often revised and re-issued; 	<ul style="list-style-type: none"> It is recommended that Council's consultant undertake an appropriate review annually and sign off with a note to file verifying that the system is up 			

Key Process	Issue	Recommendations	Post Review Implementation Plan	Person Responsible Date of Implementation
	<p>and</p> <ul style="list-style-type: none"> ▪ However this practice, while probably adequate, does not comply with the Licence requirement for regular reviews to be undertaken. An appropriate review by an individual familiar with the overall operations of the plant should not require more than an hour or so to conduct. 	<p>to date and noting any amendments made.</p>		

3.10 Asset Management Process and Policy Definition Adequacy Ratings

The effectiveness ratings assigned to each aspect of the review are set out in the following two Tables - taken from ERA's *'Audit Guidelines: Electricity, Gas and Water Licences – August 2010'*.

Asset Management Process and Policy Definition Adequacy Ratings

ERA Guidelines Table No. 5

Rating	Description	Criteria
A	Adequately defined	<ul style="list-style-type: none"> ▪ Processes and polices 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) requires 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 fit for purpose (taking into consideration the assets that are being managed).

Asset Management Performance Ratings
ERA Guidelines Table No. 6

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.

3.10.1 Asset Management Effectiveness Summary

Asset Management System	Asset Management Process & Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset Planning	A	1
Asset Creation and Acquisition	A	1
Asset Disposal	A	1
Environmental Analysis	B	2
Asset Operations	A	1
Asset Maintenance	A	1
Asset Management Information System	A	1
Risk Management	A	1
Contingency Planning	B	2
Financial Planning	A	1
Capital Expenditure Planning	A	1
Review of AMS	B	2

3.11 Observations and Recommendations

Asset Management System	Systems, Processes and Controls in place at the Shire for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset planning	<ul style="list-style-type: none"> ▪ Treatment plant performance criteria (i.e. hydraulic capacity, effluent quality, reporting requirements etc), are determined by the town site population and government licensors of the facility. These criteria are clearly set out in the asset management documentation - and form the basis of associated risk assessments, contingency, maintenance, operation and capital acquisition plans; ▪ The plant operates efficiently and at well below its design capacity. Planning processes are therefore directed to planned replacement of wearing components to maintain the condition, efficiency and maximum performance of the plant - rather than ongoing replacement of major items to increase capacity, effluent quality or efficiency; ▪ As a result of the Government's intention to ultimately increase the population of Newman to 15,000 - as a policy of the Royalties for Regions Scheme, the Shire has undertaken planning investigations and received quotations for the provision of stand-alone units to treat additional flows at the time that increasing flows reach and exceed the capacity of the existing plant. Council's five year plan (currently being updated) will include the provision of staged preparatory works (foundations, hard standing etc) to accommodate the additional units as and when required; and ▪ Funding for the preparatory works and subsequent treatment units will be sought from the Royalty for Regions Scheme and other sources. 	<ul style="list-style-type: none"> ▪ No recommendation. 	A	1

Asset Management System	Systems, Processes and Controls in place at the Shire for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset creation and acquisition	<ul style="list-style-type: none"> ▪ As stated for asset planning above, the asset continues to be on planned replacement of units subject to wear - in order to maintain the hydraulic capacity and performance of the plant – both of which have always exceeded requirements; ▪ A recent acquisition/replacement involved a large drive shaft which failed unexpectedly. The original manufacturer quoted an unacceptable design and price for a replacement shaft. A new shaft was subsequently designed by Council's consultant, and two units fabricated in Perth and replaced at a total cost of some 50% of the original manufacturer's quote for a single unit; and ▪ Maintenance and repair/replacement works are carried out by Council's work force assisted by local electrical/mechanical contractors as required. 	<ul style="list-style-type: none"> ▪ No recommendation. 	A	1
Asset disposal	<ul style="list-style-type: none"> ▪ Apart from fixed items such as control building, connecting pipe work and fencing, the Shire has only three major process assets. These are screening and grit collection, activated sludge and clarifier processes; ▪ The plant as a whole has more than adequate capacity for the foreseeable future (it operates at well below its design capacity) and asset replacement due to inadequate capacity is unlikely. The rate at which the population will approach 15,000 will depend largely on the State Government's development strategies under the Royalties for Regions Scheme. Although no specific time scale is available, Council is prudently undertaking preparatory civil works in order to ensure that additional mechanical treatment facilities can be promptly 	<ul style="list-style-type: none"> ▪ No recommendation. 	A	1

Asset Management System	Systems, Processes and Controls in place at the Shire for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<p>manufactured and installed as the target population of 15,000 persons approaches;</p> <ul style="list-style-type: none"> ▪ A well-defined operations and maintenance / replacement program ensures that major plant assets are kept in sound operating condition – thus negating the need to plan for replacement of major items; and ▪ The disposal (if necessary) of such assets would normally involve removal to landfill or similar due to negligible resale value and the relative isolation of the plant site from any market. 			
Environmental analysis	<ul style="list-style-type: none"> ▪ Section 2.2 of the Operations Manual contains a detailed summary of the Regulatory Environment of the treatment plant and associated chlorination and disposal facilities; ▪ Details of the relevant operations, performance and reporting criteria for each licence are recorded. Licensors include Economic Regulation Authority (ERA) and Department of Environment and Conservation (DEC) for the Treatment Plant, the Department of Mines Dangerous Goods (Chlorination System) and Department of Health (Waste Water Disposal System); ▪ Whilst identifying licence changes as possible impacts on the regulatory environment, only plant inflow variations are identified as factors impacting the physical environment of the plant. Other factors such as power or equipment failure, fire, etc are mentioned in the later risk analysis, but not at the operating environment analysis stage; ▪ Recorded results and reports to regulatory authorities were noted to achieve the required standards – with the exception of three non- 	<ul style="list-style-type: none"> ▪ The process to identify the physical factors associated with the operating environment of the plant should be broadened to coincide with the factors dealt with in the risk analysis / management and contingency plans. 	B	2

Asset Management System	Systems, Processes and Controls in place at the Shire for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<p>compliances for late submission of ERA annual reports; and</p> <ul style="list-style-type: none"> ▪ The management and reporting processes are adequate. A draft operational information transfer chart was sighted. 			
Asset operations	<ul style="list-style-type: none"> ▪ Asset operations and procedures are clearly set out in Appendix B of the draft Operations Manual (Rev E); ▪ Procedures include daily and multi daily visual observation and reporting on each operation, checking temperature and lubrication of moving parts, wash down of weirs, screens and grit facilities. water quality testing and completion of a daily check list of more than thirty procedures; ▪ Non daily procedures are set out in terms of timing frequency, with detailed descriptions of the process steps and action to be taken to adjust the operation of specific processes: e.g. dissolved oxygen in effluent, sludge wasting etc, sampling and delivery of samples to the testing laboratory; ▪ All procedures including maintenance are implemented to attain performance criteria and to manage identified system risks; ▪ Reports to licensing Authorities were inspected and found to comply; ▪ The need to induct new staff before entering the site or operating the plant is noted. A record of inductees and the induction dates is held at Council's depot. Copies were provided to the Reviewer; ▪ The format for inductions is included in the operating manual; ▪ Two Operators - each of whom have attended the 	<ul style="list-style-type: none"> ▪ No recommendation. 	A	1

Asset Management System	Systems, Processes and Controls in place at the Shire for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<p>Water Corporation's level 1 and 2 treatment training courses, operate the plant in rotation. Each is fully conversant with the various items of plant equipment, their operation and operational significance; and</p> <ul style="list-style-type: none"> ▪ A third casual staff member has undertaken on the job training and assists as required. 			
Asset maintenance	<ul style="list-style-type: none"> ▪ Daily and regular maintenance and associated checks are well documented in the maintenance plan – and are supported by check lists completed by maintenance /operations staff and submitted to management; ▪ Responsibility for reporting equipment malfunctions and arrangements for correction/repair are well understood by both operational and administrative staff of the Technical Services, Sewage and Reticulation Group; ▪ A chart showing the transfer of plant operating information between those associated with plant operations is being prepared for inclusion in the AM brochure; ▪ A register of the prime assets and their components is now in place with location cross referenced to a bound general arrangement plan of the overall facility; ▪ A comprehensive list of spare parts is also now in place – with details of suppliers in most cases. Comparison of asset items with the spare parts list allows correct selection of spares. Apart from the above, operators of the plant have a detailed knowledge of the equipment assets and their relevant spares; 	<ul style="list-style-type: none"> ▪ No recommendation. 	A	1

Asset Management System	Systems, Processes and Controls in place at the Shire for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<ul style="list-style-type: none"> ▪ Arrangements are in place with local mechanical, electrical and crane hire companies to support Council staff in facilitating repairs and maintenance; and ▪ Council's staff has developed the expertise necessary to cope with most mechanical problems at the plant. 			
Asset management information system	<ul style="list-style-type: none"> ▪ The local government software package "Synergy" is used to enter bills and payments and to build up an ongoing income/expenditure record against budgeted amounts for each department e.g. the sewage treatment plant. Details include wages and overheads and accounts rendered/paid; ▪ The finance department enters all financial data, prepares budgets etc. Budget reviews are conducted at approximately three monthly intervals; ▪ The Synergy system is also used to record incoming and outgoing correspondence. Incoming mail is scanned and entered and emailed to officers with an interest or input to the subject matter; ▪ The Technical Services Admin Officer coordinates the ordering of spares and the filing of minutes of Technical Services Group meetings; ▪ Completed weekly check lists and malfunction reports are filed at the depot and copies forwarded to the Council's consultant; ▪ Whilst Council's administrative staff is general "Users" of the Synergy system, access to specific areas of the system is restricted to those staff members requiring such access as part of their duties; and 	<ul style="list-style-type: none"> ▪ That Council gives consideration to scanning all relevant information (held at various locations by different treatment plant related staff) and filing within the Synergy system to enable all relevant operations and other information to be accessed at a single source, and distributed to others and Authorities as appropriate. This recommendation is not intended to remove hard copy information from those who currently produce or require it. Extension of the Synergy system to the treatment plant is not considered necessary. 	A	1

Asset Management System	Systems, Processes and Controls in place at the Shire for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<ul style="list-style-type: none"> ▪ It is noted that copies of various correspondence, reports, completed check lists and test results etc related to the treatment plant are held by various persons and at different locations. However, there is no single source where all this information is available. Reviewer's opinion is that electronic copies of all the information should be placed on the Synergy system software so that a complete picture of all available information is promptly available from a single central source. 			
Risk management	<ul style="list-style-type: none"> ▪ Threats to the system were the subject of a Risk Analysis (by the Technical Services, Sewage and Reticulation Group) in accordance with Schedule 1 of AS/NZS 4360:2004 in October 2005. – and a Risk Assessment Register was prepared; ▪ The analysis and register are contained in Appendix D of the Operations Manual (Rev. E); ▪ The register identifies 13 causes of risk, their implications and existing controls. The likelihood and level of risk are identified on a scale of 1(lowest) to 5(highest); ▪ Operating and management staff of the water service (Technical Services, Sewage and Reticulation Group) has met approximately quarterly to review plant operations, performance, standards, maintenance and risk factors. Since the resignation of the Technical Services Director some six months ago, informal meetings have been held less frequently, pending the appointment of a replacement Director (expected during April 2012); and ▪ Minutes of meetings were obtained. 	<ul style="list-style-type: none"> ▪ No recommendation. 	A	1

Asset Management System	Systems, Processes and Controls in place at the Shire for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Contingency planning	<ul style="list-style-type: none"> ▪ The only contingency plans provided relate to the population increase discussed in Asset Planning above and those associated with the chlorination system; However, there are no written procedures associated with the occurrence of most of the events listed in the Risk Register e.g. what action and/or reporting, should be followed by the operator in the event of a power or equipment failure, fire, cyclonic threat etc. What are the procedures for by-pass to the storage or the temporary disposal area?; and ▪ Reviewer recognises that the Shire's Works Superintendent and both Plant Operators understand the relatively simple contingency actions required in the event of malfunctions at the plant. However, these actions should be promptly documented for ongoing training purposes, possible legal defence and to comply with the requirements of the Shire's Water Licence. 	<ul style="list-style-type: none"> ▪ The contingency plans for each risk identified should be detailed as requested in the 2008 review; and ▪ A regular desktop review of the contingency plans should be performed. 	B	2
Financial planning	<ul style="list-style-type: none"> ▪ The Financial Plan for the treatment plant is a subset of the overall annual financial plan for the Shire – which must be prepared at the commencement of each financial year; ▪ The financial plan for the treatment plant includes estimates of income from rates levied under the Health Act and contributions from the Water Corporation. Also included are projected costs for the forthcoming 5 years and actual costs from the previous year. Costs are estimated for operations, maintenance and capital expenditure; ▪ As the income generally exceeds annual costs, the excess is held in a reserve fund, which is used for planned and unexpected capital works; and 	<ul style="list-style-type: none"> ▪ No recommendation. 	A	1

Asset Management System	Systems, Processes and Controls in place at the Shire for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<ul style="list-style-type: none"> ▪ The financial package within the Synergy software is used to enter bills and payments and to build up an ongoing income/expenditure record against budgeted amounts for each department e.g., sewage treatment plant. Details include wages and overheads, accounts rendered/paid etc. 			
Capital expenditure planning	<ul style="list-style-type: none"> ▪ Capital expenditure for the treatment plant is a sub-section of the Council's annual budget /estimates; ▪ The annual capital expenditure budget is based on a rolling 5 year expenditure plan, which broadly indicates the works to be undertaken and the year(s) in which they are planned to occur; ▪ Annual capital expenditure for the treatment plant is based on planned maintenance and a mechanical/electrical equipment replacement program intended to maintain existing assets in peak working condition; ▪ Three monthly reviews of actual expenditure against budget allow management to monitor the expenditure program and to implement adjustments if necessary; and ▪ Details of last three years' budgets and actual expenditure were provided. 	<ul style="list-style-type: none"> ▪ No recommendation. 	A	1
Review of AMS	<ul style="list-style-type: none"> ▪ Draft copies of the Asset Management Plan (revision B) and the Operations Manual (revision E) were provided. These are essentially new documents resulting from past independent – rather than in-house, reviews. An ongoing improvement has been noted in each revision over the period 2005 to 2011; ▪ It is accepted that the assets are well managed and that few (if any) changes occur between 	<ul style="list-style-type: none"> ▪ It is recommended that Council's consultant undertake an appropriate review annually and sign off with a note to file verifying that the system is up to date and noting any amendments made. 	B	2

Asset Management System	Systems, Processes and Controls in place at the Shire for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<p>independent reviews – prior to which the asset management plan is often revised and re-issued; and</p> <ul style="list-style-type: none"> ▪ However this practice, while probably adequate, does not comply with the Licence requirement for regular reviews to be undertaken. An appropriate review by an individual familiar with the overall operations of the plant should not require more than an hour or so to conduct. 			

3.12 Conclusions

The Asset Management Review concluded that the Shire of East Pilbara manages its water services assets professionally, methodically and efficiently – and in accordance with its Water Licence.

The Shire's Asset Management System is considered appropriate for the assets managed and effective in its implementation – notwithstanding a failure to implement some of the documentation recommendations of the 2008 review.

Whilst the draft of the 2011 Asset Management Plan was found to be much improved and to address most of the recommendations of the 2008 review, it was noted that some of those recommendations had not been implemented – including broadening the Environmental and Contingency Plans plus regular review of the Asset Management Plan. Further recommendations are made as a result of this 2011 review.

The draft 2011 Asset Management Plan documents were found to be much improved. Some minor re-arrangement and corrections were discussed with the Shire's consultant – who as the author of the documents will incorporate the suggested corrections.

4

Auditor Information

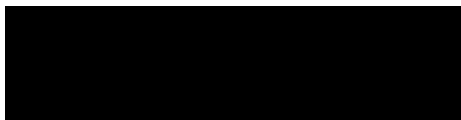
4.1 Audit/Review Team Members and Hours Utilised

Staff	Hours
Cameron Palassis - Director	15
Anton Prinsloo - Senior Audit Consultant	35
Barry Robbins - Barry Robbins Consulting	40
TOTAL	90

5

Signature of Auditor

To the best of my knowledge, this report is based on true representation of the audit findings and opinions.



Cameron Palassis
Director – Audit and Assurance

Paxon Group
Level 5, 160 St Georges Terrace,
Perth WA 6000

Date: 16th February 2012