



ABN 20 009 454 111

Audit Report

Shire of Yilgarn Water Licence
Operational Audit and
Asset Management System Review

April 2012

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Executive Summary

The Shire of Yilgarn is located in the Eastern Wheatbelt region, about 370 km east of Perth. The Shire is the holder of Water Licence 30, [the licence] issued by the Economic Regulation Authority [the Authority] under the Water Services Licensing Act 1995 (WA) [the Act]. Under the licence the Shire provides non-potable water and sewerage services to the towns of Southern Cross and Marvel Loch.

The sewer system connects approximately 352 properties at Southern Cross and 107 at Marvel Loch. The majority of properties at Southern Cross are connected to a deep sewer system. At Marvel Loch the majority of properties are connected to a semi deep sewer system. Both systems utilise piped gravity reticulation with the waste flows piped through pump stations to a wastewater treatment plant inclusive of sedimentation / oxidation ponds. Southern Cross operates an effluent re-use scheme.

Under Division 6 (Sections 36 and 37) of the Act the Shire of Yilgarn is required to provide to the Authority an independent performance audit and an asset management system review [the audit] of the licence to cover the period 1 December 2008 to 30 November 2011. In March 2012 Qualeng was commissioned to carry out the audit and subsequently prepared this report in accordance with the Authority's Audit Guidelines: Electricity, Gas and Water Licences (August 2010).

The audit and review were conducted in accordance with the audit plan through an assessment and testing of the control environment, the information system, control procedures, supporting documentation and compliance attitude.

OPERATIONAL PERFORMANCE AUDIT

On completion of the Shire of Yilgarn operation and performance audit the auditor has formed the opinion that during the period of 1 December 2008 to 30 November 2011 the Shire of Yilgarn operation was in compliance with the Water Licence conditions apart from two non-compliances:

- the annual performance report for 2011 was not submitted on time to the Authority
- Currently the Customer Charter is not sent to customers three yearly.

There was one minor observation:

- There is no clear reference in the Asset Management Plan of the need to inform the public of major changes to the assets.

Reporting of the Shire performance was checked and found to be in compliance with applicable requirements.

Of the issues and audit recommendations arising from the 2008 audit, 5 actions have been closed, 2 are no longer applicable and 2 actions were open at the time of the audit:

- The Asset Management Plan needs to be updated, particularly in regard to the compliance schedule where the due dates are not up to date.
- A spreadsheet was due to be created to aid in the annual performance reporting process and documentation created to explain where and how to source the required information. This information was not sighted during the audit.

Overall the audit found that there were several activities in place to improve the Shire's operation. The audit recommended that appropriate action be taken to close the above issues.

ASSET MANAGEMENT SYSTEM REVIEW

The review relied on documentation review, meeting with the Shire representative and an inspection of the assets. Overall the asset management system showed some gaps and requires improvement in view of the following issues that were found during the audit:

- The Asset Management Plan (AMP) does not cover the Marvel Loch assets. General information on Marvel Loch, schematic drawings of the operating area and plant are not included in the Asset Management Plan.
- Marvel Loch facilities are not documented in an Asset Register or as-constructed plans.
- Service level performance targets and measurements are not currently shown in the AMP.
- A risk register which assesses the likelihood and consequence of asset failure and appropriate mitigation procedures has not been documented. The development of the

Shire's risk matrix is still in progress.

- A contingency plan was not available during the audit and no tests had been performed.
- No commissioning records are kept so that there is no information on the plant original performance.
- The AMP does not define the required maintenance and inspection process sufficiently.
- Asset refurbishment, performance and maintenance records are not documented. The maintenance records of main assets are not documented and leave a gap in the assessment of life cycle costs.
- Field inspection showed that the asset monitoring and inspections need to be formalised to overcome trivial oversight which could result in serious incidents.
- The ongoing replacement of AC pipes and identified pump systems is not reflected in the asset replacement forecast in the AMP (section 4.5).
- Documented evidence of the staff / contractors accreditations was not available.
- Compliance monitoring does not include monitoring of parameters such as water quality at entry and exit of wastewater treatment plant.
- There are no operational procedures on how to operate plant or machinery.
- The AMP needs to include or refer to a five year financial plan with predictions of income.
- The AMP should be reviewed yearly so that minor updates of key figures, dates and actions plans will assist in maintaining it as a realistic and working document.

Of the 8 actions open since the 2008 audit, all actions were still in progress and open at the time of the audit. Three actions related to the same issues and were combined. All actions were re-entered in the new post audit implementation plan which has been included in the report Appendix.

The audit found that the licensee is progressing with all the above actions, particularly in conjunction with the update of the Asset Management Plan which is due to overcome many of the above issues. Throughout the audit process the auditors have obtained reasonable assurance that the licensee has commitment to implement an effective asset management system which complies with the requirements of the licence.

Summaries of the operational /performance audit compliance and asset management system review compliance are included in the following sections.

OPERATIONAL / PERFORMANCE AUDIT COMPLIANCE SUMMARY

The findings of the audit are summarised in Table 1 below, keys to compliance rating are listed in Table 2, a full report on the audit findings is included in section 3, "Observations and Recommendations".

Table 1: Operational/performance audit compliance summary

Operating Area	Operating License Reference (Cl.= Clause, Sch.=Schedule)	Consequence (1= minor, 2= Moderate, 3= major)	Likelihood (A= likely, B= probable, C= unlikely)	Inherent Risk (Low, Medium, High)	Adequacy of existing controls (S= Strong, M= Moderate, W= Weak)	Compliance Rating 1-2 Non compliant 3-5 Compliant (Refer to Table 5 for details)						
						1	2	3	4	5	N/A	N/R
SERVICE DELIVERY												
Water services in designated areas	Cl.2 (Sch2)	1	C	Low	S					✓		
Compliance	Cl.5	2	C	Med	M					✓		
Customer complaints	Cl.6 (Sch 3)	2	B	Low	M					✓		
Customer charter	Cl.7 (Sch 3)	2	C	Med	W			✓				
Customer consultation	Cl.8 (Sch 3)	2	C	Med	W				✓			
Customer contracts	Sch.3 (Cl. 5)	2	C	Med	W					✓		
Customer survey	Sch.3 (Cl. 6)	1	C	Low							NA	
Accounting records	Cl.15	2	C	Med	M					✓		
Operational Audit	Cl.16	2	C	Med	W					✓		
Asset management system	Cl.17	2	C	Med	W					✓		
Reporting	Cl. 18	2	C	Med	W					✓		
Individual Performance Standards	Cl 19	3	C	High							NA	
Service & performance standards	Cl.20 (Sch 4)	3	C	High	W					✓		
Provision of information	Cl.21 (Sch 5)	2	C	Med	W		✓					
Publishing information	Cl. 22	2	C	Med							NA	
Availability/connection of services	Sch 6	2	C	Med	W					✓		

Table 2: Operational/performance compliance rating scale

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

ASSET MANAGEMENT REVIEW EFFECTIVENESS SUMMARY

The review of the Asset Management System is summarised below in Table 3. Definition of the ratings is given in Table 4 and 5.

Table 3: Asset management effectiveness summary

ASSET MANAGEMENT SYSTEM	Asset management process and policy definition adequacy ratings	Asset management performance ratings
1. Asset planning	B	2
2. Asset creation/ acquisition	C	3
3. Asset disposal	B	2
4. Environmental analysis	B	2
5. Asset operations	C	3
6. Asset maintenance	C	3
7. Asset management information system	B	3
8. Risk management	D	4
9. Contingency planning	D	4
10. Financial planning	B	2
11. Capital expenditure planning	A	1
12. Review of asset management system	B	2

Table 4: Asset management process and policy definition adequacy ratings

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

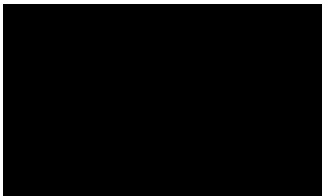
Table 5: Asset management review performance rating scale

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.

This report is an accurate representation of the findings and opinions of the auditors following the audit and review of the client's conformance to nominated Licence conditions. The audit is reliant on evidence provided by other parties and is subject to limitations due to the nature of the evidence available to the auditor, the sampling process inherent in the audit process, the limitations of internal controls and the need to use judgement in the assessment of evidence. On this basis Qualeng shall not be liable for loss or damage to other parties due to their reliance on the information contained in this report or in its supporting documentation.

The Post Audit Implementation Plan is a document prepared by the licensee in response to the recommendations provided by the audit. As it represent the licensee's views and actions it does not form part of the audit, however it has been included in Appendix A in order to complete the documentation of the audit and in accordance with the Authority's Guidelines.

Approvals

Representation	Name	Signature	Position	Date
Auditor:	M Zammit		Lead Auditor / Projects Director, Qualeng	13 June 2012

Issue Status

Issue No	Date	Description
1	30 April 2012	Draft Issue
2	13 June 2012	Final Issue
3	10 July 2012	Revised Final Issue

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1 OBJECTIVES AND SCOPE OF AUDIT/REVIEW

1.1 BACKGROUND

The Shire of Yilgarn holds Water Services Licence 30 [the licence] issued by the Economic Regulation Authority [the Authority] under the Water Servicing Licensing Act 1995 (WA) [the Act]. Under the Act, the Shire is required to provide the Authority with a performance audit and asset management system review of the licence [the audit], to cover the three year period of 1 December 2008 to 30 November 2011, following the previous audit completed in 2008.

In March 2012 Qualeng was engaged to perform the audit in accordance with the Authority's Audit Guidelines: Electricity, Gas and Water Licences (August 2010) [the Guidelines].

The sewer system connects approximately 352 properties at Southern Cross and 107 at Marvel Loch. The majority of properties at Southern Cross are connected to a deep sewer system. At Marvel Loch the majority of properties are connected to a semi deep sewer system. Both systems utilise piped gravity reticulation with the waste flows piped through pump stations to wastewater treatment plants which include sedimentation / oxidation ponds and an effluent re-use scheme.

1.2 AUDIT OBJECTIVES

The purpose of the operational/performance audit is to:

- *Assess the effectiveness of measures taken by the licensee to meet the obligations of the performance and quality standards referred to in the licence.*

For the Asset management system review:

- *Assess the measures taken by the licensee for the proper management of assets used in the provision and operation of services and, where appropriate, for the construction or alteration of relevant assets.*

1.3 AUDIT SCOPE

1.3.1 Scope Operational/Performance Audit

The scope of the operational/performance audit is to audit the systems and the processes to assess their effectiveness in ensuring compliance with the standards, outputs and outcomes required by the licence, in detail:

- Assess the effectiveness of systems and procedures and the adequacy of internal controls.
- Consider performance against standards prescribed in licence.
- Provide assurance of compliance to systems and procedures, existence of control and system outputs / records.
- Completeness and accuracy of performance reporting to Authority.
- Compliance with any individual licence conditions.

1.3.2 Scope of Asset Management System Review

The scope of the asset management system review includes the assessment of the adequacy and effectiveness of the licensee's asset management system by evaluating the key processes of:

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

1.4 AUDIT PERIOD

The audit covers the three year period of 1 December 2008 to 30 November 2011 and follows the previous audit (2008) that covered the period 1 December 2005 to 30 November 2008. The audit was carried out between March and April 2012.

The field visit was carried out on 11-12 April 2012.

1.5 LICENSEE'S REPRESENTATION

Ms Wendy Dallywater, Manager Environmental & Health and Building Services (EHBS) was the Shire of Yilgarn's representative for the audit/review and participated in the site

inspection.

1.6 AUDIT TEAM

The auditor representatives were:

- M Zammit, Project Director and Lead Auditor,
- Mr M O'Sullivan, Senior Engineer and Reviewer (Aurecon Group) and
- Mr G Müller, Auditing Engineer (Aurecon Group).

1.7 KEY DOCUMENTS AND INFORMATION

Main documents accessed by the auditors are noted below:

1. Operating Licence, Water Services Licensing Act 1995 (WA), Licence No 30
2. Shire of Yilgarn Asset Management Plan, Sewerage and Effluent Reuse, Scheme Assets March 2012 (Draft)
3. Customer Service Charter for Wastewater Services December 2008
4. Licence for Prescribed Premises Environmental Protection Act 1986
5. Environmental Assessment Report, Department of Environment and Conservation
6. Licence Areas, Southern Cross; Marvel Loch
7. Sewer Plan for New Shire Subdivision 28 May 2009
8. Post Audit Implementation Action Plan Review, Shire of Yilgarn December 2010
9. Post Audit Implementation Action Plan Review Shire of Yilgarn June 2011
10. Quantum Audit Report Operational Audit & Asset Management Review June 2009
11. January 2012, local Emergency Management Arrangements for the Shire of Westonia Yilgarn
12. Notice to ratepayers Health Warning about the use of "Recycled effluent in Southern Cross" [Council Budget and Reports section of the Shire publications]
13. Shire of Yilgarn Plan for the Future of the District 2010 and into the future
14. Annual Capital Investment Budget 2008 – 2070
15. Annual Operations and Maintenance Budget 2008 – 2070
16. Asset Register Southern Cross
17. Forward Capital Work Plan 2010/11 to 2015/16
18. Capital and Maintenance Expenditure, 2008 – 2056
19. Shire of Yilgarn – Southern Cross Sewer Scheme Water Compliance Datasheet

2010-11

20. Shire of Yilgarn – Marvel Loch Sewer Scheme Water Compliance Datasheet 2010-11
21. Shire of Yilgarn Compliance Report 2009, 2010, 2011
22. Shire of Yilgarn Performance Report 2009, 2010, 2011
23. Complaints and Issue Register
24. Shire of Yilgarn Contractor Guidelines and Checklist
25. 2010 Annual Report& Electors Meeting
26. Complete Council & Staff Policy Manual
27. Council News - Jan 2011
28. Local Emergency Management Arrangements Shire of Westonia Yilgarn
29. Minutes 201112-Ordinary Council Meeting, 16th December 2011
30. Minutes 20111021-1-electors meeting, 21st October 2011
31. Shire of Yilgarn 2010-2011 Budget
32. Shire of Yilgarn 2011-2012 Budget

1.8 LIMITATIONS AND QUALIFICATIONS

An audit provides a reasonable level of assurance on the effectiveness of control procedures, however there are limitations due to the nature of the evidence available to the auditor, the sampling process inherent in the checking of evidence, the limitations of internal controls and the need to use judgement in the assessment of evidence.

In regard to the review process, the auditor relies on evidence coming to the auditor's attention showing that the control procedures are not effective, when the initial process and procedures do not provide sufficient evidence to the level that would be required by an audit.

The Post Audit Implementation Plan (PAIP) is a document prepared by the licensee in response to the recommendations provided by the audit. As it represents the licensee's views and actions it does not form part of the audit, however it has been included in Appendix A in order to complete the documentation of the audit and in accordance with the Guidelines.

1.9 AUDIT METHODOLOGY

The audit followed the methodology defined in the Authority's "Audit Guidelines: Electricity, Gas and Water Licences", August 2010, including:

- Review of documentation
- Review of previous audit responses and actions
- Preparation of an audit plan, risk assessment and system analysis,
- Fieldwork including the operational / performance audit, meetings and field inspection
- Reporting.

These activities were supported by additional investigations to further clarify aspects of the procedures.

For the Operational / Performance audit an audit plan was prepared which outlined the audit objectives, scope, risk assessment, system analysis, fieldwork plan, the report structure, key contacts and auditing staff.

The audit adopted a risk based approach where a preliminary risk and materiality assessment was carried out for each licence condition to evaluate the risks resulting from non-compliance and/or lack of controls.

The existing controls were rated and an audit priority assigned based on the risk resulting from lack of controls. Tests were also defined for each licence condition to assess the compliance and effectiveness of the current process.

In regard to the Asset Management Review the review followed the methodology outlined above and defined in the Guidelines.

1.10 OTHER INFORMATION

A summary of the resources utilised in the performance of the audit are listed below.

Item	Resource	Description	Hours
1	M Zammit	Project Director and Lead Auditor	33
2	M O'Sullivan	Water Engineer and Auditor	3
3	G Müller	Civil/Water Engineer	33

2 LICENSEE'S ACTIONS ON PREVIOUS AUDIT RECOMMENDATIONS

Review of actions taken in response to recommendations in previous audits/reviews:

Table 6: Status of Previous Post Audit/Review Implementation Plan (2008)

No.	Issue	Recommendation / Management Response	Action Update by Licensee	Audit Review	Status
1	OPERATIONAL AUDIT				
1.1	<p>Cl.15 (b) Non-Potable Water – Health Directions Warning signs have been erected around the park and oval, however the car entrance to the oval which is a major thoroughfare, does not have a sign warning against drinking the treated water.</p> <p>Annual written advice has not been provided to Licensees at this stage.</p>	<p>The Shire to ensure that another sign is installed at the car entrance to the oval.</p> <p>▶ Another sign will be installed at the car entrance to the oval. (June 2009).</p> <p>An annual notice should be sent to residents, such as with the annual rates notice.</p> <p>▶ A notice will go out to all ratepayers with the annual rates notices.</p>	<p>Another sign has been installed at the car entrance to the oval. Completed.</p> <p>Currently working on the proposed calendar idea. Aiming to print & post out to residents by end of August 2011.</p>	<p>No longer applicable as obligation relates to previous licence.</p> <p>The Shire confirmed notices went out to all ratepayers with the annual rates notices. Notices are also available at the council desk.</p>	<p>No longer applicable</p> <p>Closed</p>

No.	Issue	Recommendation / Management Response	Action Update by Licensee	Audit Review	Status
1.2	<p>Cl. 6 Asset Management System The AMP contains a section on Monitoring and Review Procedures that requires the AMP to be reviewed five yearly and reissued when changes occur to the current system, processes and procedures. The maintenance and capital investment plans shall be revised annually. However, the audit noted that the requirement to notify any changes to the system to the Authority is not stated in the AMP's review procedures. The effectiveness of the Asset Management System is currently being audited and the final report will be provided to the Authority. However, we did not identify a process in place to ensure that the timeframes would be met. The implementation of the Asset Management System review was reactionary to a note sent by the Authority and not planned.</p>	<p>Update the Monitoring and Review Procedures section of the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within the required timeframe.</p> <p>Develop and implement a compliance schedule with the Asset Management System review dates (and other regulatory requirements such as annual reporting) included as part of the schedule of events. Note the required timeframes for the notification of the asset management system changes to the Authority in the compliance schedule.</p> <p>▶ A schedule of times for when reports are to be forwarded to the ERA will be added to the Asset Management Plan, plus a spreadsheet of actions for the Mgr EH&BS will be called up by the officer's computer calendar, if possible, where these times are already recorded. (30 April, 2009)</p>	<p>The schedule of times for when reports need to be forwarded to the ERA has been put on a spreadsheet and is completed but is not linked to the Manager Environmental Health & Building Services (EHBS) computer, however, tasks have manually been written in on certain dates on the work computer which will prompt actions to be taken. Completed.</p>	<p>The Shire noted that reminders have been set up on the computer calendar, but they have fallen behind as more pressing issues at the time took priority.</p> <p>▶ Section 7.2 of the AMP has an asset management action plan but the due dates are out-dated – this needs to be updated when the AMP is reviewed.</p>	<p>Closed</p> <p>Open (new action 1.4)</p>

No.	Issue	Recommendation / Management Response	Action Update by Licensee	Audit Review	Status
1.3	<p>Cl. 17 Obligations to Other Licences Adhered to</p> <p>Wastewater treatment plants operated by the Licensee shall have relevant Licences from the Department of Environment and Conservation and be operated in compliance with those Licences.</p> <p>The Shire does not have a licence from the Department of Environment and Conservation but is in the process of applying for one (and has been since 2006).</p>	<p>Obtain the licence for the wastewater treatment plant from the Department of Environment and Conservation as soon as possible</p> <p>► An application for a licence will be forwarded to the Department of Environment and Conservation.</p>	<p>Licence has been obtained for the Southern Cross Sewer System. Completed.</p>	<p>Confirmed – Licence has been presented</p>	<p>Closed</p>

No.	Issue	Recommendation / Management Response	Action Update by Licensee	Audit Review	Status
1.4	<p>CI.18 Customer Consultation</p> <p>Prior to making major changes to the operation of a water service, such as the construction of new wastewater treatment works or significant expansion of the sewerage network, the Licensee will:</p> <p>(i) hold a public meeting to obtain Customer views on the performance and operation of the scheme; or</p> <p>(ii) advertise for written submissions on the proposal. The Licensee shall allow Customers to raise matters of concern regarding the sewerage system at public question time in accordance with the <i>Local Government Act 1995</i>.</p> <p>The first stage of an improved treatment system for the waste that will replace the existing ponds is nearing completion for Southern Cross. The remaining two stages will be implemented over the next three years. From discussions with the Shire, it was found that no specific customer consultations had been completed on the system at the time of the audit. However, the Shire Council meets on the third Friday of each month. The meetings are open to the public and a 15-minute Public Question Time is scheduled at the beginning of each meeting, giving customers the opportunity to raise matters of concern regarding the sewerage system.</p>	<p>The Shire should consider advertising for written submissions or conducting other public consultation in respect of the new system for waste water treatment to ensure that customers are fully-informed of the changes and can have an opportunity to raise any concerns about the proposed system.</p> <p>► Details on the new wastewater treatment system have been reported and discussed at the 2007 & 2008 Annual Elector's Meeting. A formal public consultation process has not taken place as the service to customers will not be affected in any way.</p> <p>► Information regarding the new system will be included in the notice to ratepayers to go out with rate notices.</p>	<p>Details on the new wastewater treatment system were reported at the 2010 Annual Elector's Meeting. Completed.</p> <p>The Manager EHBS report to the Elector's Meetings is an annual event. An information notice was not included with the rates notices in July 2010. Aiming to get a notice placed in the next "Council News" newsletter which is published 3 times a year and distributed to all households.</p> <p>Progressing on the proposed calendar idea to provide this information to the local residents. The proposed calendar project will include a brief overview of the new treatment system. Aiming to have this project printed and ready to post out to residents by end of August 2011.</p>	<p>Confirmed reporting of new wastewater treatment system at the 2010 Annual Elector's Meeting and insertion of notice in the "Council News" newsletter of January 2011. Completed.</p> <p>► [OFI] As a procedure, it has been suggested that the public be given sufficient notice of planned works by letter drops to their post boxes. This would give the public opportunity to raise matters of concern at public question times at public meetings such as the rate payers meetings. This procedure should be noted in the Asset Management Plan.</p>	Closed

No.	Issue	Recommendation / Management Response	Action Update by Licensee	Audit Review	Status
1.5	<p>Cl.14(c), Sch 3 Annual Performance Reporting The Licensee shall report the information set out in Schedule 3. The reports are due within 30 days of the end of each financial year. The licensee had produced reports as per the requirements of schedule 3 of the licence for the 2005/2006, 2006/2007 2007/2008 financial years, however these were all submitted late. The information for the reports comes from a variety of sources; as follows:</p> <ul style="list-style-type: none"> -The number of connections remains fairly constant and is calculated manually; -Sewer mains length comes from the plans of the systems and measuring distances on a map; -The volume is calculated by recording the number hours of pump operation multiplied by the pumps potential throughput; -The Wastewater re-use is estimated by factoring the tank capacity and number of days of water usage; and -Energy costs are calculated from the power accounts the Shire receives. <p>All calculations are performed manually.</p>	<p>The Shire should ensure that they provide their annual performance reports to the Authority within 30 days of the end of each financial year as per the requirement in the operating licence. This requirement should be included in a Compliance Checklist. A spreadsheet should be created to aid in the annual performance reporting process; documentation created to explain where and how to source the required information; and copies of the source information kept to allow easier checking of the validity of the results.</p> <ul style="list-style-type: none"> ▶ Reminders to complete the annual performance report as Schedule 3 will be made on the responsible officer's computer. ▶ A spreadsheet will be created stating where the relevant information for this return is found or calculated. 	<p>Tasks with reminders have been listed on the Manager EHBS computer calendar to remind of when reports and responses need to be forwarded to the ERA. Completed 31 April, 2009. An information sheet has been completed and saved on the Manager EHBS computer outlining where to find the information for and how to complete the Annual Performance Report. Completed 31 April, 2009</p>	<p>Management confirmed these tasks completed.</p> <ul style="list-style-type: none"> ▶ A compliance checklist was not sighted and this task remains to be actioned. 	<p>Closed</p> <p>Open (New action 1.5)</p>

No.	Issue	Recommendation / Management Response	Action Update by Licensee	Audit Review	Status
1.6	<p>CI.12(a) Contractors Maintenance of Standards</p> <p>As noted in the previous audit, the current contractors should be asked to sign the Contractor Checklist kept in the Asset Management Plan for compliance with the Shire's OHS policy. The Shire advised these had been completed, however, the audit was unable to verify.</p>	<p>The contractor OHS checklists should be reviewed and signed by both primary contractors as soon as possible.</p> <p>▶ All contractors will be asked to sign a current OSH Contractor Checklist, and copies will be attached to the Asset Management Plan.</p>	<p>This action has been commenced but is still to be completed. Waiting for all checklists to be returned to the office and following up on this action.</p>	<p>No longer applicable as obligation relates to previous licence.</p>	<p>No longer applicable</p>
2	ASSET MANAGEMENT REVIEW				
2.1	<p>Risk Management</p> <p>A Risk Register is in place, but does not include any risk treatment plans for risks where inadequate controls are listed.</p>	<p>The Risk Register should be updated with risk treatment plans for risks identified as having inadequate controls or risks above acceptable tolerance levels.</p> <p>▶ Updates to the Risk Register in the Asset Management Plan will be done.</p>	<p>This action is still to be completed. Still working on updating the Risk Register and aiming to have it completed by December 2011 for the next review.</p>	<p>▶ This item has not been closed as the Shire noted that the risk register is currently in working progress.</p>	<p>Open (Now item 8.1 in PRIP)</p>

No.	Issue	Recommendation / Management Response	Action Update by Licensee	Audit Review	Status
2.2	<p>Contingency Plans Discussions with the Shire indicate that processes are in place to deal with most contingencies, however, these have yet to be formalised. There are basic contingency planning and procedures outlined in the Operational Planning section of the Asset Management Plan, but these are over-reliant on individual knowledge. Contingency plans need to be clear enough for someone not directly involved in the day to day operations to be able to successfully action the plan. The contingency plans have not been tested.</p>	<p>Risks identified as medium or high risk should have greater detail in the contingency plan. The additional details needed include:</p> <ul style="list-style-type: none"> - Detailed procedures; - Key local contact details – name, number and location; - Communication protocols; - Specifications, location and availability of emergency equipment; and - Authorities that need to be contacted and when. <p>▶ Additional details as recommended will be added to the Asset Management Plan.</p> <p>Contingency plans should be tested on at least an annual basis or whenever major changes are required to the plans.</p> <p>▶ Contingency plans will be tested as a tabletop exercise by other members of staff to ensure that if the Manager EH&BS is not available that others know the steps to take to fix the problem</p>	<p>Parts of the Contingency Plan have been done, however, it is not completed as yet. It should be completed by December 2011 for the next review.</p>	<ul style="list-style-type: none"> ▶ An emergency management plan is available for the Shire of Yilgarn and Westonia, the “Local Emergency Management Arrangements”, last revised in January 2012. The plan has no details of risk assessments/emergencies specifically related to the water and sewerage services, however the Water and Sewerage Services Contingency Plan could be developed in collaboration with the Local Emergency Management Committee. ▶ Once completed emergency responses should be tested once yearly so that all identified personnel become familiar with their responsibilities. 	<p>Open (Now item 9.1 in PRIP)</p>

No.	Issue	Recommendation / Management Response	Action Update by Licensee	Audit Review	Status
2.3	<p>Asset Management Plan Plans have not been updated since prior to the previous audit. The Shire indicated that the Southern Cross plans are quite accurate, however only the proposed plans for Marvel Loch are on hand. The development of plans is still to be costed.</p>	<p>The Asset Management Plan needs to be updated for any changes between the actual installations and the original plans. In the future any deviations from the original specifications should be included in any plans of the assets.</p> <p>▶ Quotes to provide up-to-date plans for Marvel Loch sewer system will be sought for Council's Budget consideration. If the quote is accepted then this work will be carried out in the 2009/2010 financial year. If not accepted by Council in June 2009 then it will be raised in future Council Budget considerations.</p>	<p>An estimate was obtained from one company in Kalgoorlie to complete "as constructed plan" or to up-date the Marvel Loch Sewer Plans, however, due to the high cost, this work was not included in the 2009/10 or 2010/11 Council Budget. An alternative plan is currently being investigated.</p> <p>Due to the cost involved to up-date the Marvel Loch Sewer Plans this work will not be carried out in 2010/2011. Still investigating an alternative means of achieving this goal that may be less cost prohibitive.</p>	<p>▶ The Shire noted that Southern Cross as-constructed plans are complete. Due to budget constraints, the Marvel Loch as-constructed sewer plans would be done in stages as the budget allows.</p>	<p>Open (Now item 5.3 in PRIP)</p>
2.4	<p>Operational Procedures The Asset Management Plan includes a section on Operational Planning. This forms an overview of the operations of the system only. There are no in-depth operational procedures on how to operate plant or machinery</p>	<p>The Shire should document the operational procedures on how to operate the plant and machinery</p> <p>▶ Operational procedures in the Asset Management Plan will be expanded to show more detail on how to operate the plant and machinery.</p>	<p>This action has been commenced but is still to be completed.</p>	<p>▶ Action is in progress.</p>	<p>Open (Now item 5.1 in PRIP)</p>
2.5	<p>Service Levels Service levels from a customer perspective are clearly outlined in the customer charter. Levels of service for the waste water systems as a whole are to be defined in the AMP including current and desired levels of service. The current information is an example only and detailed information is still to be completed.</p>	<p>The Shire should update the AMP to include full details on the levels of service.</p> <p>▶ The Asset Management Plan will be updated to provide more details on the levels of service.</p>	<p>This action has been commenced but is still to be completed.</p>	<p>▶ Action is in progress. Levels of service are measured in the water compliance manual datasheet (2010-2011). The AMP however needs to be updated to reflect this.</p>	<p>Open (Now item 1.1 in PRIP)</p>

No.	Issue	Recommendation / Management Response	Action Update by Licensee	Audit Review	Status
2.6	Commissioning Tests Commissioning tests for new/created assets are not documented in the Asset Management Plan.	A commissioning test checklist for new assets should be developed. The requirement for completing the checklist should be included in the AMP ▶ A commissioning test checklist for new assets will be developed and included in the Asset Management Plan.	This action has been commenced but is still to be completed; developing a commissioning test checklist for new and old assets aiming to completed it by December 2011 for the next review.	▶ As noted before, a commissioning test checklist for new and refurbished assets should be developed. The requirement for completing the checklist should be included in the AMP. Individual asset could be tackled individually so that the checklists can be implemented earlier.	Open (Now item 2.1 in PRIP)
2.7	Asset Operations There is no evidence of the link between risk management and the priority of operations tasks.	Update the Risk Register to show the treatment of risks including how they are applied to prioritise operations tasks. ▶ The Risk Register will be updated to include the treatment of risks and how they are applied to prioritise operations tasks.	This action has been commenced but is still to be completed.	▶ This item is linked to the risk register as per items 2.1 and 2.2. Action is in progress.	Open (Now item 5.2 in PRIP)
2.8	Asset Maintenance There is no evidence of the link between risk management and maintenance planning.	Update the Risk Register to show the treatment of risks including how they are applied to prioritise operations tasks. ▶ The Risk Register will be updated to include the treatment of risks and how they are applied to prioritise maintenance tasks.	This action has been commenced but is still to be completed.	▶ This item is linked to the risk register as per items 2.1 and 2.2. Action is in progress.	Open (Now item 6.4 in PRIP)

3 OBSERVATIONS AND RECOMMENDATIONS

Key findings and recommendations arising from the Operational/Performance Audit and the Asset Management Review are listed in the following sections.

3.1 OPERATIONAL/PERFORMANCE AUDIT

Item	Lic ref	Licence Conditions	Priority 1=Low 5=High	Findings	Compliance* 5,4,3=Y 1,2=N	Recommended Corrective Actions
1	Cl.2 (Sch2)	Water services in designated areas: The licensee may provide the water services indicated in the Schedule to the areas or locations described.	5	The licensee is providing services to and within the areas designated in the licence.	5	
2	Cl.5	Compliance: The licensee has to comply with all applicable legislation.	4	The licensee has documented in the Asset Management Plan (AMP) its commitment to comply with all applicable legislation. All applicable legislation has been identified by the licensee.	5	
3	Cl.15	Accounting records: The licensee must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.	4	Accounting records are published by the licensee in the annual reports/budgets in accordance with Australian Accounting Standards as applicable to local government and not-for-profit organisations.	5	
4.1	Cl.16	Operational Audit:	3	An operational audit has been commissioned by the	5	

Item	Lic ref	Licence Conditions	Priority 1=Low 5=High	Findings	Compliance* 5,4,3=Y 1,2=N	Recommended Corrective Actions
		The licensee must, unless otherwise notified in writing by the Authority, provide the Authority with an operational audit within 24 months after the commencement date, and every 24 months thereafter.		licensee in accordance with the Authority requirements. The current audit period is 36 months.		
4.2		The licensee must comply, and must require the licensee's auditor to comply, with the Authority's standard audit guidelines dealing with the operational audit.		The licensee's expert has been asked to comply with the Authority's guidelines.	5	
4.3		The independent auditor must be approved by the Authority prior to the audit.		The independent auditor has been approved by the Authority prior to the audit.	5	
5.1	Cl.17	Asset management system: The licensee must provide for, and notify the Authority of, an asset management system in respect of the licensee's assets within two business days from the commencement date.	3	The asset management system was introduced prior to the start of this audit period.	5	
5.2		The licensee must notify the Authority of any material change to the asset management system within 10 business days of such change.		There have not been any material changes to the licensee's asset management system in the audit period. The licensee is conducting an update of the asset management plan, however the update has not been completed.	5	
5.3		The licensee must, unless otherwise notified in writing by the Authority: (a) conduct an asset management system review; and (b) provide the Authority with a report on the asset management system review,		An asset management system review has been commissioned by the licensee in accordance with the Authority requirements. The current review period is 36 months.	5	

Item	Lic ref	Licence Conditions	Priority 1=Low 5=High	Findings	Compliance* 5,4,3=Y 1,2=N	Recommended Corrective Actions
		within 24 months after the commencement date and every 24 months thereafter.				
5.4		The licensee must comply, and must require the licensee's expert to comply, with the Authority's standard guidelines dealing with the asset management system review.		The licensee's expert has been asked to comply with the Authority's guidelines.	5	
5.6		The independent expert must be approved by the Authority prior to the review.		The licensee's expert has been approved by the Authority prior to the review.	5	
6	Cl. 18	Reporting: The licensee must report to the Authority: (a) if the licensee is under external administration (b) if the licensee experiences a significant change in the licensee's corporate, financial or technical circumstances upon which this licence was granted which may affect the licensee's ability to meet its obligations under this licence within 10 business days of the change occurring	3	There have not been significant changes to the licensee's circumstances.	5	
7.1	Cl.20 (Sch 4) Cl 1.1	Service & performance standards: Emergency Response: The licensee shall provide an emergency telephone advice system.	1	An emergency telephone advice system is provided by the licensee.	5	
7.2	Sch 4 Cl 2.1	Customer Complaints: The licensee shall respond to customer complaints within 15 business days.		A paper Complaint/Fault register is in use and shows both reports raised from the public and from the Manager EHBS. A sample check of reports during the audit period found that all had been resolved within the required time.	5	
7.3		Sewerage Services: Continuity and Overflows:		Reports are provided annually to the Authority on	5	

Item	Lic ref	Licence Conditions	Priority 1=Low 5=High	Findings	Compliance* 5,4,3=Y 1,2=N	Recommended Corrective Actions
		<ul style="list-style-type: none"> The number of sewer blockages per 100km of sewer mains to be fewer than 40 in the preceding 12 months. In the preceding 12 month period 90% of connected properties did not experience sewage overflows. 		sewer blockages and overflows. A check of the 2010-2011 period showed compliance with the performance requirements.		
8	Cl.21 (Sch 5)	<p>Provision of information:</p> <p>The licensee will provide the Authority with data required for performance monitoring purposes as set out in the Water Compliance Reporting Manual.</p> <p>[The Water Compliance Reporting Manual requires:</p> <ul style="list-style-type: none"> Annual performance reports no later than 31 July for the reporting year ending 30 June; and Annual compliance reports by 31 August for the year ending 30 June.] 	3	<p>Reports are provided annually to the Authority on sewer blockages and overflows and on compliance with all applicable obligations contained in the Water Compliance Reporting Manual.</p> <p>Annual performance reports for 2009 and 2010 were submitted on time. Compliance reports for 2010 and 2011 were also prepared within the required dates.</p> <ul style="list-style-type: none"> The annual performance report for 2011 was not issued to the Authority by the 31 July. 	2	<ul style="list-style-type: none"> The Shire should review its resources and strengthen its monitoring and internal meeting/review systems to ensure that compliance obligations are performed on time.
9	Cl. 22	<p>Publishing information:</p> <p>The Authority may direct the licensee to publish any information within a specified timeframe.</p>	3	No specific direction has been received from the Authority during the audit period.	NA	
10	Sch 6	<p>Availability/connection of services:</p> <p>The licensee must ensure that its services are available for connection on request to any land situated in the Operating Areas.</p> <p>The licensee must set out in writing its 'conditions for connection' and make that information available to all applicants for connection and to people enquiring about connection.</p>	3	Conditions for customer connection to the services are set out in the Customer Service Charter. The Customer Service Charter is available both on the Shire web page and at the Shire offices.	5	

Item	Lic ref	Licence Conditions	Priority 1=Low 5=High	Findings	Compliance* 5,4,3=Y 1,2=N	Recommended Corrective Actions
11	Cl.6 (Sch 3)	<p>Customer complaints:</p> <p>The licensee must establish customer complaints processes:</p> <ul style="list-style-type: none"> (CI 3.1) the licensee must have in place, a properly resourced process for effectively receiving, recording and, (where possible), resolving customer complaints within a timeframe of 15 business days (CI 3.4) where a dispute has not been resolved within 15 business days the licensee must inform the customer of the option of referring their complaint to the Department of Water. 	5	<p>The licensee has a paper based customer complaint register which is filled manually. The register records internal and third party reports of enquiries or malfunctions and includes information on the dates, nature of complaint, originators, actions taken, closure and dates.</p> <p>The Manager Environmental Health & Building (EHBS) Services is authorised to respond and resolve complaints.</p> <p>All reports show that they were either closed or resolved with the customer within the stipulated time.</p> <p>The Customer Charter is made available to the customers and includes information on the rights of the customer to refer the matter to the Department of Water. During the audit period no complaints were referred to the Department of Water.</p>	5	
12	Cl.7 (Sch 3, Cl 2)	<p>Customer charter:</p> <p>The licensee must have in place a customer service charter in accordance with the Authority's review guidelines.</p> <p>The customer service charter:</p> <p>(a) should be drafted in 'plain English'; and</p> <p>(b) should address all of the service issues that are reasonably likely to be of concern to its customers.</p> <p>Any proposed amendment to the customer service charter must be forwarded to the Authority for approval.</p>	3	<p>The Shire has a Customer Charter which was last issued in December 2008 and is due to be reviewed. The review is due to be advertised in a local newspaper, comments will be reported to Council and if accepted, incorporated in the Customer Charter. Once approved by Council it will be issued to the Authority for approval.</p> <p>The Customer Charter appears to be in conformance with the licence requirements, both for presentation and content.</p> <p>The Customer Charter is available to customers at the Shire office foyer and on its web page.</p>	3	<p>▶ The Shire should consider sending the Customer Charter or a notice of its availability, which will have to be approved by the Authority, to customers three yearly.</p>

Item	Lic ref	Licence Conditions	Priority 1=Low 5=High	Findings	Compliance* 5,4,3=Y 1,2=N	Recommended Corrective Actions
		<p>The licensee must make the customer service charter available to its customers in the following ways:</p> <p>(a) by prominently displaying it in those parts of the licensee's offices to which customers regularly have access;</p> <p>(b) by providing a copy, upon request, and at no charge, to the customer; and</p> <p>(c) by sending a current copy, or a summary document approved by the Authority, to all customers at least once in every three year period or as agreed with the Authority.</p> <p>The customer service charter is to be reviewed by the licensee at least once in every three year period or as agreed with the Authority.</p>		<p>▶ Currently the Customer Charter is not sent to customers three yearly.</p>		
13.1	Cl.8 (Sch 3, Cl 4)	<p>Customer consultation:</p> <p>The licensee must establish ongoing customer consultation processes which both inform customers and proactively solicit customer opinion on the licensee's operations and delivery of services.</p> <p>The licensee may either:</p> <p>(a) establish a Customer Council , and consult with the Customer Council to facilitate community involvement; or</p> <p>(b) institute at least two of the following processes:</p> <p>i. Meeting on a regular basis with customers to seek comment;</p>	3	<p>The Shire holds annual elector meetings which have been documented in the annual reports which also refer to the Customer Service Charter.</p> <p>Monthly Council meeting starts with a public forum where topics raised by customers are discussed. Minutes of the Council meetings are available to the public.</p> <p>The licensee also publishes a newsletter (Council News). This publication has incorporated a news article on sewerage operation.</p>	4	

Item	Lic ref	Licence Conditions	Priority 1=Low 5=High	Findings	Compliance* 5,4,3=Y 1,2=N	Recommended Corrective Actions
		<p>ii. Publishing a simple newsletter providing basic information about the licensee's operations;</p> <p>iii. Establishing other forums for consultation to enable community involvement</p> <p>in issues relevant to the exercise of the licensee's obligations.</p>				
13.2	CI 8 (Sch 3, CI 4.5, 4.6)	<p>Customer consultation: Sewerage Services</p> <p>Prior to making major changes to the operation of a water service(s), such as the construction of new wastewater treatment works or significant expansion of the sewerage network, the licensee will:</p> <p>(a) hold a public meeting to obtain customer views on the performance and operation of the scheme; or</p> <p>(b) advertise for written submissions on the proposal.</p>	3	<p>Review of the work performed by the licensee on the assets indicated that no significant changes in the assets have taken place in the audit period.</p> <p>A new wastewater treatment unit had been installed in 2006 and has been in development since. The unit is installed to operate in parallel with the current sedimentation pond system, however if found satisfactory, it will in time replace the current system. The unit was operational in September 2010 but it was not in use at the time of the audit. Information on the new treatment plant was provided to the Electors Meeting (which is open to the public), on the Electors Meeting minutes and on the Council News newsletter.</p> <p>▶ Whilst the AMP includes reference to the requirement for notifying the Authority of any changes to the asset management system (sect. 2.3.1), there is no clear reference to the need to inform the public of major changes to the assets.</p>	4	<p>▶ There should reference in the AMP of the licensee's obligation to inform the public of major changes to the assets.</p>
14	Sch.3 (Cl. 5)	<p>Customer contracts:</p> <p>The licensee may enter into an agreement with a customer to provide water services that exclude, modify or restrict the terms and conditions of this licence.</p>	3	<p>The licensee does not have exclusions or variations to its water services.</p>	5	

Item	Lic ref	Licence Conditions	Priority 1=Low 5=High	Findings	Compliance* 5,4,3=Y 1,2=N	Recommended Corrective Actions
		If a licensee enters into such agreement the licensee must publish a report annually that includes specific information.				
15	Sch.3 (Cl. 6)	Customer survey: Not more frequently than every 12 months the Authority may require the licensee to commission an independent customer survey.	5	No customer survey had been requested by the Authority during the audit period.	5	

* See Table 2

3.2 ASSET MANAGEMENT SYSTEM REVIEW

Table 7: Asset Management System Review Findings and Recommendations

Item	Asset Management System Element	Requirement	Summary of Findings / Observations	Recommended Corrective Actions	
				Adequacy A = Adequate D = Inadequate	Performance 1 = Effective 4 = Serious Action Required
1	Asset Planning	Integration of asset strategies into operational or business plans will establish a framework for existing and new assets to be effectively utilised and their service potential optimised.		B	2
1.1		Planning process and objectives reflect the needs of all the stake holders and is integrated with business planning	<p>A planning document "Plan for the future of the district 2010" (June 2010) covers resourcing for the future for the Shire in general and makes provision for the replacement of aging sewerage assets. The licensee has a "Reserve Funds" which is maintained to cater for future works.</p> <p>The licensee encourages public participation to its monthly council meetings and annual electors' meeting. There was evidence of consultation with a range of stakeholders in planning works in the Shire.</p> <p>Information from inspections and stakeholders is used to create new work activities.</p> <p>The Asset Management Plan (AMP) was prepared in 2007 and is now in the process of being updated.</p> <ul style="list-style-type: none"> ▶ The Asset Management Plan does not cover the Marvel Loch assets. Marvel Loch operating area and plant schematic drawings are not included in the AMP. 	▶ Action covered in 5.1,	
1.2		Service levels are defined.	<p>Service levels are defined in section 2 the AMP and in the Customer Service Charter. Service levels data is measured, monitored and results are reported annually.</p> <ul style="list-style-type: none"> ▶ Service level performance targets and measurements are not currently shown in the AMP. 	▶ Service level performance targets and measurements should be included in the AMP.	

Item	Asset Management System Element	Requirement	Summary of Findings / Observations	Recommended Corrective Actions	
				Adequacy A = Adequate D = Inadequate	Performance 1 = Effective 4 = Serious Action Required
1.3		Non-asset options (eg. demand management) are considered.	Forecasts of demand are documented in the AMP which also includes a section on demand management. The level of demand management appears adequate for the Shire operation.		
1.4		Lifecycle costs of owning and operating assets are assessed.	Capital replacement costs have been calculated in a Financial spreadsheet. Costs for maintenance are reported to Council and budgets are documented in a spreadsheet.	▶	The maintenance records of main assets should be documented in order to assess the life cycle costs.
1.5		Funding options are evaluated.	Funding options for the licensee are limited, however options are considered as sighted in Council meeting documentation.		
1.6		Costs are justified and cost drivers identified.	Budgets are prepared for asset creation, maintenance and replacement, budget are then presented to Council and go through an approval process.		
1.7		Likelihood and consequences of asset failure are predicted.	The generic procedure for developing a risk register is included in the AMP (Section 3). ▶ A risk register which assesses the likelihood and consequence of asset failure and mitigation procedures for this scheme has not been documented. The Shire mentioned that the process of developing their risk matrix is ongoing.	▶	An action has been identified at item 8.1, refer to section 8, "Risk Management".
1.8		Plans are regularly reviewed and updated.	Budget reviews occur on an as need basis at monthly Council meetings. ▶ The AMP was last issued in January 2007; action plan dates are now historical, 5 year financial plans in the AMP end in 2012 and are now not serving a useful purpose. A yearly review and minor update of the AMP in key figures and actions plans will assist in maintaining it as a realistic and working document. The review would also allow continuous improvement of the document in correcting and updating sections in need of change.	▶	See recommended action at item 12.1

Item	Asset Management System Element	Requirement	Summary of Findings / Observations	Recommended Corrective Actions	
				Adequacy A = Adequate D = Inadequate	Performance 1 = Effective 4 = Serious Action Required
2	Asset Creation and Acquisition	A more economic, efficient and cost-effective asset acquisition framework which will reduce demand for new assets, lower service costs and improve service delivery.		C	3
2.1		Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	Due to the size and simplicity of existing infrastructure, there is limited capacity for alternatives. New assets are procured in accordance with the Shire's procurement policies and procedures as stated in section 4.6 of the AMP. A simple risk analysis is performed for new projects and is documented in the yearly budgets. When replacing assets such as pumps, capital and operation and maintenance costs are compared and decisions are made based on the whole of life cost. This is done on an informal basis. There was no significant new asset procurement in the audit period and therefore no evaluation was required.	▶ [OFI] Documentation of the evaluation process should be filed, and the procedure should be included in the AMP (section 4.6).	
2.2		Evaluations include all life-cycle costs.	Not sighted as no significant new asset procurement was required in the audit period. Refer to 2.1 above.		
2.3		Projects reflect sound engineering and business decisions.	The licensee consults specialists if major alterations to the plant occur, however major projects have not been undertaken since the last Audit (2008).		
2.4		Commissioning tests are documented and completed.	▶ The Shire does not document or have records of commissioning tests.	▶ It is recommended that, when assets are procured and/or refurbished, commissioning tests be conducted and the test results filed under the asset records. The procedure should be documented in the AMP Renewal and Replacement Plan. (Refer to item 2.6 in the 2008 Audit)	

Item	Asset Management System Element	Requirement	Summary of Findings / Observations	Recommended Corrective Actions	
				Adequacy A = Adequate D = Inadequate	Performance 1 = Effective 4 = Serious Action Required
2.5		Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	Responsibilities for Shire operations are assigned through an organisation structure and are further defined in the AMP. The Manager Environmental Health & Building Services (EHBS) is responsible for environmental and safety obligations. Relevant issues are reported to Council which meets monthly. Minutes of Council meetings are published on the Shire website. Interviews and projects queries confirmed that staff were aware of environmental obligations.		
3	Asset Disposal	Effective management of the disposal process will minimise holdings of surplus and under-performing assets and will lower service costs.		B	2
3.1		Under-utilised and under-performing assets are identified as part of a regular systematic review process.	The Shire has a routine maintenance plan as noted in section 4.3 of the AMP. Section 6.2 of the AMP outlines the Shire's asset management system, which states that condition data and performance information is recorded for static and rotating assets. Documented evidence of the conditional data and performance information was however not sighted. Refer to 6.2 below.	<ul style="list-style-type: none"> ▶ Asset records of refurbishment and maintenance should be kept as mentioned in 6.1-6.3 below. This will allow the assets to be assessed and an informed decision to be made to identify and monitor under-performing assets based on a history of downtime and refurbishment. ▶ Conditional data, performance information and maintenance records will assist with determining the reasons for under-utilisation or poor performance. Refer to 6.1 - 6.3 below. 	

Item	Asset Management System Element	Requirement	Summary of Findings / Observations	Recommended Corrective Actions	
				Adequacy A = Adequate D = Inadequate	Performance 1 = Effective 4 = Serious Action Required
3.2		The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	<p>There was evidence to show that the licensee monitors the status of poor performing plant. It was noted that the service crew consults with the Shire on the condition of the assets and the decision is made to either replace or refurbish the assets, based on whether the assets are meeting desired service levels. Instances of corrective actions/ disposals in the period were:</p> <ul style="list-style-type: none"> AC pipe consecutive repairs and failures has led to the replacement of 50 m of pipe in Southern Cross. The pipe was scrapped. A control board at Caravan Park was scrapped after failure as it was assessed as being beyond repair. 	▶ Refer to 3.1 above and 6.1 - 6.3 below.	
3.3		Disposal alternatives are evaluated.	Disposal alternatives are limited. As noted in the AMP (section 4.7) the assets are sold to the community as scrap metal or dumped. Section 5.5 (Asset Disposal Program) of the AMP is intended to identify assets currently on the asset disposal program - no assets are currently identified. (see item 3.2)		
3.4		There is a replacement strategy for assets.	The licensee's annual capital investment budget and financial planning has been sighted and reflects the replacement value for assets upon the end of their design life - a bar graph has been developed which summarises the Capital and Maintenance Expenditure. Failure is however the main prompt for replacement. New assets are procured through the Government Supply System. Sections 4.5 and 4.6 of the AMP refer to the Renewal and Replacement Plan and New assets Creation Plan respectively.	▶ [OFI] Expand the asset replacement forecast in the AMP (section 4.5) to reflect the ongoing replacement of AC pipes and identified pump systems.	
4	Environmental Analysis	The asset management system regularly assesses external opportunities and threats and takes corrective action to maintain requirements.		B	2

Item	Asset Management System Element	Requirement	Summary of Findings / Observations	Recommended Corrective Actions	
				Adequacy A = Adequate D = Inadequate	Performance 1 = Effective 4 = Serious Action Required
4.1		Opportunities and threats in the system environment are assessed.	The AMP includes sections on the system environment, evaluation of external factors, performance and service levels and review of the operation of the assets. Whilst there are minimal changes to the Shire population numbers, opportunities in the region development are considered by the Shire. There have been examples of Shire and mining industry cooperation in new developments. Closure of the St Barbara mine is due in August 2012 and meetings have been arranged with the mining community, Council and the public.	▶ [OFI] Entries in the risk register (to be compiled), such as asset failure, could flow into the opportunities and threats assessment.	
4.2		Performance standards (availability of service, capacity continuity, emergency response, etc) are measured and achieved.	Performance standards are as per the licence conditions and are documented and reported. ▶ The AMP does not yet include the target levels of service as well as measurement of the service levels.	▶ Update section 2 of the AMP to reflect the target levels of service as well as measurement of the service levels.	
4.3		Compliance with statutory and regulatory requirements.	Relevant Legislative, Environmental and Health requirements are documented in section 2 of the AMP. Reporting of compliance obligations is performed through the water compliance manual datasheet (2010-2011). ▶ Compliance monitoring does not include monitoring of parameters such as water quality at entry and exit of wastewater treatment plant.	▶ Compliance and performance measurement procedures should be developed further to include additional parameters such as monitoring of water quality at entry and exit of wastewater treatment plant. This should be included in the AMP.	
4.4		Achievement of customer service levels.	Customer service levels are being achieved.	Refer to item 4.2.	
5	Asset Operations	Operations plans adequately document the processes and knowledge of staff in the operation of assets so that service levels can be consistently achieved.		C	3

Item	Asset Management System Element	Requirement	Summary of Findings / Observations	Recommended Corrective Actions	
				Adequacy A = Adequate D = Inadequate	Performance 1 = Effective 4 = Serious Action Required
5.1		Operational policies and procedures are documented and linked to service levels required.	<ul style="list-style-type: none"> ▶ The Asset Management Plan does not cover the Marvel Loch assets. Marvel Loch operating area and plant schematic drawings are not included in the AMP. <p>The AMP only includes an overview of the operations of the system.</p> <ul style="list-style-type: none"> ▶ There are no operational procedures on how to operate plant or machinery. 		<ul style="list-style-type: none"> ▶ The licensee should add details of the Marvel Loch assets in the AMP, including overview, operation, maintenance etc ▶ The licensee should document the operational procedures on how to operate the plant and machinery – which should be referred to in the AMP. (Refer to item 2.4 in the 2008 Audit Plan)
5.2		Risk management is applied to prioritise operations tasks.	No risk analysis is performed at present.		<ul style="list-style-type: none"> ▶ Operations tasks to be prioritised in conjunction with the development of the risk register.
5.3		Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical / structural condition and accounting data.	<p>An Asset Register is included in Appendix A of the AMP. The Southern Cross Scheme has an acceptable Register.</p> <ul style="list-style-type: none"> ▶ Marvel Loch facilities are not documented in an Asset Register or as-constructed plans. 		<ul style="list-style-type: none"> ▶ Develop an Asset Register for Marvel Loch in conjunction with the development of as-constructed plans.
5.4		Operational costs are measured and monitored.	Operating costs are measured in the AMP (section 5.4) and monitored on an annual basis. The operational and maintenance cost spreadsheets were sighted.		

Item	Asset Management System Element	Requirement	Summary of Findings / Observations	Recommended Corrective Actions	
				Adequacy A = Adequate D = Inadequate	Performance 1 = Effective 4 = Serious Action Required
5.5		Staff receive training commensurate to their responsibilities.	<p>The Shire noted that they operate on a "hands on approach" and that the plumbers and electricians have the relevant qualifications and licences. A form has been sent to contractors to document their qualifications, however there has not been cooperation from the contractors.</p> <ul style="list-style-type: none"> Documented evidence such as copies of the staff / contractors accreditations were not available or sighted. 	<ul style="list-style-type: none"> The licensee should compile a register listing the contractors relevant accreditations and qualifications and include reference to it in the AMP. 	
6	Asset Maintenance	Maintenance plans cover the scheduling and resourcing of the maintenance tasks so that work can be done on time and on cost.		C	3
6.1		Maintenance policies and procedures are documented and linked to service levels required.	<p>Routine and Planned maintenance plans are set out in sections 4.3 and 4.4 of the AMP respectively.</p> <ul style="list-style-type: none"> The procedure for planned maintenance and inspections does not define the required maintenance and inspection process sufficiently. No record of maintenance activities are kept. 	<ul style="list-style-type: none"> The AMP should define the planned maintenance and inspection activities and tasks. The maintenance and inspection procedures should be documented so that the maintenance crew can carry out their tasks using these procedures. Maintenance records should be documented and a maintenance schedule should record these tasks. 	

Item	Asset Management System Element	Requirement	Summary of Findings / Observations	Recommended Corrective Actions	
				Adequacy A = Adequate D = Inadequate	Performance 1 = Effective 4 = Serious Action Required
6.2		Regular inspections are undertaken of asset performance and condition.	<p>Condition inspections are set out in section 4.4 of the AMP.</p> <ul style="list-style-type: none"> ▶ There was no documented evidence that the assets are being maintained and inspected satisfactorily. The following items were noted upon inspection of the assets. <ul style="list-style-type: none"> (a) The fencing around the Southern Cross treatment works is not maintained as the fencing is overgrown with trees and bushes. (b) Fencing around the Marvel Loch Chlorination Plant had been removed in September 2011 and has not yet been reinstated. This presents a health and safety risk. (c) An intermediate pump station at Marvel Loch did not have any power and the sewage was overflowing into the environment - the placement of stepping stones suggest that this has been occurring for some time. (d) The modular treatment units at Southern Cross has a cover missing. We could not confirm whether the air pumps were operational. (e) Central pond at Marvel Loch (pond 2) was empty, however ponds on either side were full, suggesting that the plant is not operating as planned. (f) Slight leak, possibly from a leaking valve, into an emergency overflow pit at an intermediate pump station in Southern Cross, near the oval. (g) A secondary gate was left open at Southern Cross main Wastewater Treatment Plant. 	<ul style="list-style-type: none"> ▶ Planned maintenance and condition inspections should be conducted frequently and documented. Section 4.4 in the AMP should be updated to reflect regular inspections and documentation of these inspections as noted in 6.1. ▶ The site visit findings should be actioned. 	
6.3		Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	<ul style="list-style-type: none"> ▶ Routine and Planned maintenance records are not documented - therefore there is no record documenting whether the process is completed on schedule. 	<ul style="list-style-type: none"> ▶ Actions as per 6.1 and 6.2. 	

Item	Asset Management System Element	Requirement	Summary of Findings / Observations	Recommended Corrective Actions	
				Adequacy A = Adequate D = Inadequate	Performance 1 = Effective 4 = Serious Action Required
6.4		Failures are analysed and operational/maintenance plans adjusted where necessary.	Asset failures are investigated either in house or using external resources. Evidence of incident reporting and follow up through a "Complaints Register" was noted during the review. There is no formal incident investigation procedure however all failures found had been actioned quickly. Maintenance plans are not detailed sufficiently to be adjusted as a result of asset failure.		
6.5		Risk management is applied to prioritise maintenance tasks.	▶ No risk analysis is performed at present.		▶ Maintenance tasks to be prioritised in conjunction with the development of the risk register.
6.6		Maintenance costs are measured and monitored.	Maintenance costs are continually monitored and reported at Council annual budget meeting.		
7	Asset Management Information Systems	The asset management information system provides authorised, complete and accurate information for the day-to-date running of the asset management system. The focus of the review is the accuracy of performance information used by the licensee to monitor and report on service standards.		B	3
7.1		Adequate system documentation for users and IT operators.	Asset management information system uses only basic spreadsheets and does not require specific documentation for its operation. Accounting services are outsourced to Synergy. The AMP is based on the Authority's template.		
7.2		Input controls include appropriate verification and validation of data entered into the system.	Financial calculations are based on a template provided by the Authority. Measurement of network lengths are based on as constructed drawings, however for Marvel Loch there are no as-builts, therefore measurements are approximate but are deemed sufficient for the purpose.		

Item	Asset Management System Element	Requirement	Summary of Findings / Observations	Recommended Corrective Actions	
				Adequacy A = Adequate D = Inadequate	Performance 1 = Effective 4 = Serious Action Required
7.3		Logical security access controls appear adequate, such as passwords.	Computer access is controlled by passwords.		
7.4		Physical security access controls appear adequate.	Main Shire office is secured through locked entry points and alarms. Generally all Shire compounds are fenced and gates are locked.		
7.5		Data backup procedures appear adequate.	Data backup and server maintenance is outsourced to IT Company in Perth. Back ups are performed daily off-site.		
7.6		Key computations related to licensee performance reporting are materially accurate.	Computations are generally basic. There was evidence of performance calculations being carried out on templates which had been tested for accuracy in previous audit periods.		
7.7		Management reports appear adequate for the licensee to monitor licence obligations.	The Manager EHBS prepares annual reports to satisfy the licence conditions. A further report is presented to the annual Elector Meeting and included in the meeting report (ref: "2010 Annual Report & Electors Meeting").		
8	Risk Management	An effective risk management framework is applied to manage risks related to the maintenance of service standards.		D	4

Item	Asset Management System Element	Requirement	Summary of Findings / Observations	Recommended Corrective Actions	
				Adequacy A = Adequate D = Inadequate	Performance 1 = Effective 4 = Serious Action Required
8.1		Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	The generic procedure for developing a risk register is included in the AMP (section 3) but does not assess the likelihood and consequence of asset failure or mitigation procedures specific to the scheme. The Shire stated that the process of developing their risk matrix is ongoing.	▶ The Shire should conduct a risk workshop with affected stakeholders and develop a risk register with likelihood, consequences and mitigation actions. The risk register should be referred to in section 3 of the AMP. The risk register should be assessed and updated as required on an annual basis. (Was item 2.1 in the 2008 Audit).	
8.2		Risks are documented in a risk register and treatment plans are actioned and monitored.	▶ No risk analysis is performed at present. Risk register has not been prepared.	▶ Refer to action at 8.1.	
8.3		The probability and consequences of asset failure are regularly assessed.	As per 8.2.	▶ Refer to action at 8.1.	
9	Contingency Planning	Contingency plans have been developed and tested to minimise any significant disruptions to service standards.		D	4
9.1		Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	<ul style="list-style-type: none"> ▶ Contingency plans were not sighted. The Shire has a "Local Emergency Management Arrangements (January 2012)" (LEMA) document. Water and wastewater related risks and contingency plans are however not included in the LEMA. The asset management system should have contingency plans clear enough for responsible parties to successfully action the plan. ▶ Contingency plans have not been tested. 	<ul style="list-style-type: none"> ▶ A contingency plan should be developed possibly in collaboration with the Local Emergency Management Committee (LEMC) and development of the risk register which is in working progress. The functions of the LEMC are to advise and assist the local government in establishing local emergency managements for the district. Contingency plans should be included in the LEMA and AMP. ▶ The contingency plans should be tested. (Refer to item 2.2 in the 2008 Audit Plan). 	
10	Financial Planning	A financial plan that is reliable and provides for the long-term financial viability of the services.		B	2

Item	Asset Management System Element	Requirement	Summary of Findings / Observations	Recommended Corrective Actions	
				Adequacy A = Adequate D = Inadequate	Performance 1 = Effective 4 = Serious Action Required
10.1		The financial plan states the financial objectives and strategies and actions to achieve the objectives.	A number of documents cover economic, financial and operational objectives, targets and strategies, these include: <ul style="list-style-type: none"> • Forward Capital Works Plan 2010/11 to 2014/15 and Forward Capital Works Plan 2010/11 to 2015/16 • "Shire of Yilgarn, Plan for the Future of the District 2010 and into the future" • The Shire of Yilgarn 2011-2012 Budget. 		
10.2		The financial plan identifies the source of funds for capital expenditure and recurrent costs.	The "Shire of Yilgarn, Plan for the Future of the District 2010 and into the future" identifies funding for proposed capital works, whilst operating and maintenance funds are defined in the Shire of Yilgarn Budget.		
10.3		The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	The Shire of Yilgarn 2011-2012 Budget contains forecasts of revenue and costs over the financial year. The AMP and supporting documentation contain operating and capital expenditure forecasts. Supporting documentation has projections up to 2070. <ul style="list-style-type: none"> ▶ The AMP forecasts will need to be updated within the current review of the AMP. 	▶ The AMP forecasts are in need of updating	
10.4		The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	The Shire of Yilgarn 2011-2012 Budget contains forecasts of revenue and costs over the financial year. The "Shire of Yilgarn, Plan for the Future of the District 2010 and into the future" identifies transfer of funds from reserve to meet expected capital expenditure. <p>At the moment there is no prediction/ forecast of future revenue from sewerage rates. On this basis there is no evidence to show whether the revenue collected via sewerage rates will be sufficient:</p>	▶ A financial plans with predictions of income over the next five years should be documented. <p>At the moment there is no prediction/ forecast of future revenue from sewerage rates. On this basis there is no evidence to show whether future revenue collected via sewerage rates is sufficient:</p> <ul style="list-style-type: none"> • to fund future O&M cost of the scheme and • to provide for an adequate amount to be transferred to reserves to fund future refurbishment and replacement of 	

Item	Asset Management System Element	Requirement	Summary of Findings / Observations	Recommended Corrective Actions															
				Adequacy A = Adequate D = Inadequate	Performance 1 = Effective 4 = Serious Action Required														
			<ul style="list-style-type: none"> to fund the O&M cost of the scheme and to provide for an adequate amount to be transferred to reserves to fund future refurbishment and replacement of assets. <p>Based on the available evidence, the only comments that can be made are:</p> <ul style="list-style-type: none"> Current figures show that the reserve fund is sufficient to fund capital expenditure over the next 5 years. The 2012 budget shows that there is a forecast surplus from the income (resulting from sewerage rates) over the O&M and capital expenditure for 2012. This will result in a forecast transfer to reserve of \$57, 424.26 in 2012. However no data is available of future income from sewerage rates. <p>The Budget 2011-2012 shows that rates levied under the Sewerage/Waste Water scheme are (all in \$):</p> <table> <tr> <td>Rates</td> <td>293,801</td> </tr> <tr> <td>O&M Expenses</td> <td>191,470</td> </tr> <tr> <td></td> <td>=====</td> </tr> <tr> <td>Balance</td> <td>102,331</td> </tr> <tr> <td>Capex 2012</td> <td>60,150</td> </tr> <tr> <td></td> <td>=====</td> </tr> <tr> <td>Surplus Income</td> <td>42,181</td> </tr> </table> <p>With interest, miscellaneous funds etc the total forecast</p>	Rates	293,801	O&M Expenses	191,470		=====	Balance	102,331	Capex 2012	60,150		=====	Surplus Income	42,181	assets.	
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Item	Asset Management System Element	Requirement	Summary of Findings / Observations	Recommended Corrective Actions	
				Adequacy A = Adequate D = Inadequate	Performance 1 = Effective 4 = Serious Action Required
			transfer to the Sewerage Reserve Fund for 2012 is \$ 57,424.26.		
10.5		The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	The Shire of Yilgarn Budget provides for the operating and maintenance expenditure, as well as administration budgets and capital expenditure.		
10.6		Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.	The Shire of Yilgarn Budget identifies actual versus planned expenditure. Variances in the budget are reviewed and corrective action addressed at monthly Council meetings.		
11	Capital Expenditure Planning	A capital expenditure plan that provides reliable forward estimates of capital expenditure and asset disposal income, supported by documentation of the reasons for the decisions and evaluation of alternatives and options.		A	1
11.1		There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	A lifecycle asset replacement program is available and has been included in the AMP. The program estimates replacement at the end of the asset economic life and the forecast extends to 2070. A five year capital expenditure program is included in the AMP up to 2012 and shows that the reserve fund provided by the Shire will be sufficient to cover the expenditure.		
11.2		The plan provides reasons for capital expenditure and timing of expenditure.	A 5 year CAPEX project plan records the projects required, the expenditure requirements and timing.		

Item	Asset Management System Element	Requirement	Summary of Findings / Observations	Recommended Corrective Actions	
				Adequacy A = Adequate D = Inadequate	Performance 1 = Effective 4 = Serious Action Required
11.3		The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.	The AMP and the overall CAPEX plan are consistent.		
11.4		There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	The AMP documents the process for updating the plans annually. Reports for asset requirements are presented to the Shire annually at the Electors Meeting.		
12	Review of AMS	Review of the Asset Management System to ensure the effectiveness of the integration of its components and their currency.		B	2
12.1		A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.	The current AMP was issued in 2007 and due to be revised in 2012. A copy of the new AMP (2012 version) was sighted, work is in progress on completing this document. (See also observation at item 1.8)	▶ The AMP should be reviewed yearly so that minor updates of key figures, dates and actions plans will assist in maintaining it as a realistic and working document.	
12.2		Independent reviews (eg internal audit) are performed of the asset management system.	There is no internal independent review of the AMP. However external consultants are engaged at times to review aspects of the operation and of the AMP. An external independent review of the asset management system is performed every three years in accordance with the licence conditions and with the AMP.		

4 CHANGES TO THE LICENCE

No changes to the licence conditions are recommended.

5 POST AUDIT IMPLEMENTATION PLAN

The Post Audit Implementation Plan (PAIP) is a document prepared by the licensee in response to the recommendations provided by the audit. As it represents the licensee's views and actions it does not form part of the audit, however it has been included in Appendix A in order to complete the documentation of the audit and in accordance with the Guidelines.

Each key audit finding and recommendation has been listed in the PAIP. For each recommendation the Licensee has recorded responses and corrective actions, responsibility for the actions and a proposed date for completion.

Appendix A

POST AUDIT IMPLEMENTATION PLAN



SHIRE OF YILGARN OPERATIONAL AUDIT AND ASSET MANAGEMENT REVIEW

Licensee Post Audit / Review Implementation Plan 2012

Issue 1



Table 1: Post Audit / Review Implementation Plan

No	Licence Conditions	Recommendations	Actions	By Whom	Date
1	OPERATIONAL AUDIT				
	Customer Charter [CI 7 (Sch 3, CI 2)]				
1.1 (Ref Item 12)	The licensee must make the customer service charter available to its customers in three ways... including: (a) by sending a current copy, or a summary document approved by the Authority, to all customers at least once in every three year period or as agreed with the Authority.	▶ The Shire should consider sending the Customer Charter or a notice of its availability, which will have to be approved by the Authority, to customers three yearly.	▶ Shire's Customer Service Charter is due for review now. A notice advertising the review and seeking public comments will be published in the local newsletter "Crosswords" and will be addressed at the August 2012 Council Meeting. A copy of the reviewed Charter will be forwarded to the ERA once approved by Council.	Mgr Envir Health & Building Services (MEHBS)	August 2012
	Customer consultation: Sewerage Services [CI 8 (Sch 3, CI 4)]				
1.2 (Ref Item 13.2)	Prior to making major changes to the operation of a water service(s), such as the construction of new wastewater treatment works or significant expansion of the sewerage network, the licensee will: (a) hold a public meeting to obtain customer views on the performance and operation of the scheme; or (b) advertise for written submissions on the proposal.	▶ There should reference in the AMP of the licensee's obligation to inform the public of major changes to the assets.	▶ The Shire has not carried out any major change to the wastewater treatment system or a significant expansion of the sewerage network. ▶ A definition of what the Shire believes are major changes or significant expansion to the network will be included in the AMP so that staff know when this form of customer consultation is required.	MEHBS	August 2012
	Provision of information [CI 21 (Sch 5)]				
1.3	The licensee will provide the Authority with data required for performance monitoring purposes as set out in the Water Compliance Reporting Manual.	▶ The Shire should review its resources and strengthen its monitoring and internal meeting/ review systems to ensure that compliance obligations are performed on time.	▶ The reporting requirements as set out in the Water Compliance Reporting Manual and which is to be forwarded to the ERA by – Annual Performance Report s3 due by 31 st July; and Annual Compliance Report s5 due by 31 st August each year are noted and entered into the work computer allowing time to meet these time periods.	MEHBS	31 st July and 31 st August 2012
	Actions from Previous Post Audit Implementation Plan				

No	Licence Conditions	Recommendations	Actions	By Whom	Date
1.4 (Item 1.2 PAIP 2008)	Cl. 6 Asset Management System Develop and implement a compliance schedule with the Asset Management System review dates (and other regulatory requirements such as annual reporting) included as part of the schedule of events	▶ Section 7.2 of the AMP has an asset management action plan but the due dates are out-dated – this needs to be updated when the AMP is reviewed.	▶ The AMP is currently being reviewed and the action plan will be reviewed and up-dated.	MEHBS	August 2012
1.5 (Item 1.5 PAIP 2008)	Cl.14(c), Sch 3 Annual Performance Reporting A spreadsheet should be created to aid in the annual performance reporting process; documentation created to explain where and how to source the required information; and copies of the source information kept to allow easier checking of the validity of the results.	▶ A compliance checklist was not sighted and this task remains to be actioned.	▶ The MEHBS has an excel spreadsheet covering works that need to be carried out through the year but this needs updating, plus dates are noted in her computer diary/calendar to prompt when actions/reports are due and this is ongoing.	MEHBS	July 2012

ASSET MANAGEMENT REVIEW					
No	AMS Element	Recommendations	Actions	By Whom	Date
1	Asset Planning				
1.1 (Item 1.2 AM Review) (was 2.5 in 2008 PRIP)	Service level performance targets and measurements are not currently shown in the AMP.	▶ Service level performance targets and measurements should be included in the AMP.	▶ Will include these service level performance targets in the reviewed AMP.	MEHBS	August 2012
1.2 (Item 1.4)	Lifecycle costs of owning and operating assets need to be assessed however maintenance record of assets are not documented.	▶ The maintenance records of main assets should be documented in order to assess the life cycle costs.	▶ Specific maintenance records sheet will be established to record all maintenance work carried out on major assets. This requirement will be included in the AMP.	MEHBS	August 2012
1.3 (Item 1.8 & 5.1)	The Asset Management Plan does not cover the Marvel Loch assets. Marvel Loch operating area and plant schematic drawings are not included in the AMP.	▶ The Asset Management Plan does not cover the Marvel Loch assets. Marvel Loch operating area and plant schematic drawings are not included in the AMP.	▶ A contractor has been appointed to produce "As Constructed Plans" and hopefully this work will be completed within a 12 month period. within a 6 month period. ▶ The contractor has commenced work on this project and expects to be completed by December 2012.	MEHBS and Contractor	December 2012
2	Asset Creation				
2.1 (Item 2.4) (was 2.6 in 2008 PRIP)	The Shire does not document or have records of commissioning tests.	▶ It is recommended that, when assets are procured and/or refurbished, commissioning tests be conducted and the test results filed under the asset records. The procedure should be documented in the AMP Renewal and Replacement Plan. (Refer to item 2.6 in the 2008 Audit)	▶ Commissioning tests will be requested from now on with copies kept on computer. This requirement will be added to the AMP Renewal and Replacement Plan as suggested.	MEHBS	August 2012
3	Asset Disposal				
3.1	Under-utilised and under-performing assets	▶ Asset records of refurbishment and	▶ This may be incorporated into the maintenance	MEHBS	August 2012

ASSET MANAGEMENT REVIEW					
No	AMS Element	Recommendations	Actions	By Whom	Date
(Item 3.1)	should be identified as part of a regular systematic review process. However documented evidence of the conditional data and performance information was not sighted.	<p>maintenance should be kept. This will allow the assets to be assessed and an informed decision to be made to identify and monitor under-performing assets based on a history of downtime and refurbishment.</p> <ul style="list-style-type: none"> ▶ Conditional data, performance information and maintenance records will assist with determining the reasons for under-utilisation or poor performance. 	records sheet. Generally none of the Shire's assets are under-utilised. Under-performing assets are not identified until they fail or performance is noticeable.		
3.2 (Item 3.4)	The licensee's annual capital investment budget and financial planning has been sighted and reflects the replacement value for assets upon the end of their design life, however ongoing replacement of AC pipes and identified pump systems are not shown.	<ul style="list-style-type: none"> ▶ [OFI] Expand the asset replacement forecast in the AMP (section 4.5) to reflect the ongoing replacement of AC pipes and identified pump systems. 	<ul style="list-style-type: none"> ▶ Will look to expand the asset replacement forecast in the AMP to reflect the ongoing replacement of AC pipes and identified pump systems. 	MEHBS	August 2012
4	Environmental Analysis				
4.1 (Item 4.2)	Performance standards (availability of service, capacity continuity, emergency response, etc) should be measured and achieved. The AMP does not yet include the target levels of service as well as measurement of the service levels.	<ul style="list-style-type: none"> ▶ Update section 2 of the AMP to reflect the target levels of service as well as measurement of the service levels. 	<ul style="list-style-type: none"> ▶ Performance standards and target levels of service will be added to the AMP as part of the current review. 	MEHBS	August 2012
4.2 (Item 4.3)	Compliance monitoring does not include monitoring of parameters such as water quality at entry and exit of wastewater treatment plant.	<ul style="list-style-type: none"> ▶ Compliance and performance measurement procedures should be developed further to include additional parameters such as monitoring of water quality at entry and exit of wastewater treatment plant. This should be included in the AMP. 	<ul style="list-style-type: none"> ▶ Compliance and performance measurement procedures which include parameters such as monitoring of water quality at entry and exit of wastewater treatment plant will be added to the AMP as recommended. 	MEHBS	August 2012
5	Asset Operations				

ASSET MANAGEMENT REVIEW					
No	AMS Element	Recommendations	Actions	By Whom	Date
5.1 (Item 5.1) (was 2.4 in 2008 PRIP)	The Asset Management Plan does not cover the Marvel Loch assets. Marvel Loch operating area and plant schematic drawings are not included in the AMP.	<ul style="list-style-type: none"> The licensee should add details of the Marvel Loch assets in the AMP, including overview, operation, maintenance etc 	<ul style="list-style-type: none"> A contractor has been appointed to produce "As Constructed Plans" for the Marvel Loch System and it is hoped that this work will be completed within a 12 month period. within a 6 month period. The contractor has commenced work on this project and expects to be completed by December 2012. 	MEHBS and Contractor	December 2012
5.2 (Item 5.1) (was 2.4 in 2008 PRIP)	There are no operational procedures on how to operate plant or machinery.	<ul style="list-style-type: none"> The licensee should document the operational procedures on how to operate the plant and machinery - to be referred to in the AMP. (Refer to item 2.4 in the 2008 Audit Plan) 	<ul style="list-style-type: none"> An operations procedure stating how to operate the various plant and machinery will be included in the revised AMP. 	MEHBS	August 2012
5.3 (Item 5.2) (was 2.7 in 2008 PRIP)	Risk management should be applied to prioritise operations tasks, however no risk analysis is performed at present.	<ul style="list-style-type: none"> Operations tasks to be prioritised in conjunction with the development of the risk register. 	<ul style="list-style-type: none"> Risk assessments will be carried out for the various tasks or operations and will be listed in priority order. 	MEHBS	August 2012
5.4 (Item 5.3) (was 2.3 in 2008 PRIP)	Marvel Loch facilities are not documented in an Asset Register or as-constructed plans.	<ul style="list-style-type: none"> Develop an Asset Register for Marvel Loch in conjunction with the development of as-constructed plans. 	<ul style="list-style-type: none"> An Asset Register for Marvel Loch will be completed in conjunction with the proposed As Constructed Plans for the Marvel Loch System. 	MEHBS & Contractor	December 2012
5.5 (Item 5.5)	Documented evidence such as copies of the staff / contractors accreditations were not available or sighted. A form has been sent to contractors to document their qualifications, however there has not been cooperation from the contractors.	<ul style="list-style-type: none"> The licensee should compile a register listing the contractors relevant accreditations and qualifications and include reference to it in the AMP. 	<ul style="list-style-type: none"> Letters have been sent to Shire's contractors asking for a copy of their licenses or qualifications or accreditations to confirm their ability to work on the Shire's plant. The need for this and its regular review will be added to the AMP. 	MEHBS	May-June 2012
6	Asset Maintenance				
6.1 (Item 6.1)	The procedure for planned maintenance and inspections does not define the required maintenance and inspection process sufficiently. No record of maintenance	<ul style="list-style-type: none"> The AMP should define the planned maintenance and inspection activities and tasks. The maintenance and inspection procedures should be documented so that the 	<ul style="list-style-type: none"> The procedure for planned maintenance and inspections will be expanded to explain the process and will refer to the maintenance records sheets. 	MEHBS	August 2012

ASSET MANAGEMENT REVIEW					
No	AMS Element	Recommendations	Actions	By Whom	Date
	activities are kept.	<p>maintenance crew can carry out their tasks using these procedures.</p> <ul style="list-style-type: none"> Maintenance records should be documented and a maintenance schedule should record these tasks. 			
6.2 (Item 6.2)	<p>There was no documented evidence that the assets are being maintained and inspected satisfactorily.</p> <p>The following items were noted upon inspection of the assets.</p> <p>(a) The fencing around the Southern Cross treatment works is not maintained as the fencing is overgrown with trees and bushes.</p> <p>(b) Fencing around the Marvel Loch Chlorination Plant had been removed in September 2011 and has not yet been reinstated. This presents a health and safety risk.</p> <p>(c) An intermediate pump station at Marvel Loch did not have any power and the sewage was overflowing into the environment - the placement of stepping stones suggest that this has been occurring for some time.</p> <p>(d) The modular treatment units at Southern Cross has a cover missing. We could not confirm whether the air pumps were operational.</p> <p>(e) Central pond at Marvel Loch (pond 2) was empty, however ponds on either side were full, suggesting that the plant is not operating as planned.</p> <p>(f) Slight leak, possibly from a leaking valve,</p>	<ul style="list-style-type: none"> Planned maintenance and condition inspections should be conducted frequently and documented. Section 4.4 in the AMP should be updated to reflect regular inspections and documentation of these inspections as noted in 6.1. The site visit findings should be actioned. 	<ul style="list-style-type: none"> Incorporated into the expanded procedure for planned maintenance inspections will include such things as frequency and what the level or condition of the asset should be. All items noted during the inspection will be attended to as soon as possible. <p>Note –</p> <p>(c) Power issue has been resolved, pumps working and overflow stopped.</p> <p>(d) The cover for modular treatment unit needs re-securing and air pump is operational.</p> <p>(e) Issue unknown at present.</p> <p>(f) Plumber has been asked to stop this leak and clean out over-flow tank.</p> <p>In regards to the items noted during the inspection the following action has occurred as at 3rd July 2012:-</p> <p>(a) The Shire Garden staff have been requested to remove vegetation along the fences at the Southern Cross Sewage Ponds site which should be completed within the next 2 weeks.</p> <p>(b) The section of fencing that had been taken down at the Marvel Loch Sewage Ponds has been reinstated and is complete.</p> <p>(c) The issue of power at the Overington Street Pump Station (ML PS No2) has been resolved, and the pumps are working effectively.</p> <p>(d) At the Southern Cross modular treatment unit a cover over one section had blown over, but has been laid back</p>	MEHBS Works Staff Contractors	June 2012

ASSET MANAGEMENT REVIEW					
No	AMS Element	Recommendations	Actions	By Whom	Date
	into an emergency overflow pit at an intermediate pump station in Southern Cross, near the oval.		<p>down to cover the exposed section. I still need to have the cover re-fixed to the base so that it does not blow over again. The air pump works but was not working at the time of the audit due to maintenance work occurring on the monopump so the modular system had been turned off.</p> <p>(e) The local plumber has been asked to investigate the reason for the second pond not having any effluent in it. The reason is unknown but the situation is being investigated and monitored.</p> <p>(f) The local plumber has been asked to resolve this leak into the emergency overflow tank at the Achernar Street Pump Station (SX PS No2).</p>		
6.3 (Item 6.3)	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule however Routine and Planned maintenance records are not documented - therefore there is no record documenting whether the process is completed on schedule.	▶ Action as per 6.1	▶ The procedure for planned maintenance and inspections will be expanded to explain the process and will refer to the maintenance records sheets.	MEHBS	August 2012
6.4 (Item 6.5) (was 2.8 in 2008 PRIP)	Risk management is applied to prioritise maintenance tasks however no risk analysis is performed at present.	▶ Maintenance tasks to be prioritised in conjunction with the development of the risk register.	▶ Risk assessments will be carried out for the various tasks or operations and will be listed in priority order.	MEHBS	August 2012
7	Asset Management Information Systems				
7.1	Physical security access controls: There were some instances of poor security: - a fence removed for works in September 2011 and not reinstated at Marvel Loch evaporation ponds	<p>▶ More frequent inspections should result in improved security.</p> <p>▶ Gates and fences should be secured at all times.</p>	▶ Schedule of maintenance inspections to be developed and included in the AMP.	MEHBS	August 2012

ASSET MANAGEMENT REVIEW					
No	AMS Element	Recommendations	Actions	By Whom	Date
	- a secondary gate left open at Southern Cross main Wastewater Treatment Plant.				
8	Risk Management				
8.1 (Item 8.1) (Was Item 2.1 in 2008 PRIP)	The generic procedure for developing a risk register is included in the AMP (section 3) but does not assess the likelihood and consequence of asset failure or mitigation procedures specific to the scheme. The development of the Shire risk matrix is still in progress.	<ul style="list-style-type: none"> ▶ The Shire should conduct a risk workshop with affected stakeholders and develop a risk register with likelihood, consequences and mitigation actions. The risk register should be referred to in section 3 of the AMP. The risk register should be assessed and updated as required on an annual basis. (Was item 2.1 in the 2008 Audit). 	<ul style="list-style-type: none"> ▶ In conjunction with contractors risk assessments will be developed for the various tasks or operations carried out and will be listed in priority order. These assessments will be added to the AMP. 	MEHBS Contractors	August 2012
9	Contingency Planning				
9.1 (Item 9.1)	Contingency plans were not sighted. The Shire has a "Local Emergency Management Arrangements (January 2012)" (LEMA) document. Water and wastewater related risks and contingency plans are however not included in the LEMA. The asset management system should have contingency plans clear enough for responsible parties to successfully action the plan. Contingency plans have not been tested.	<ul style="list-style-type: none"> ▶ A contingency plan should be developed possibly in collaboration with the Local Emergency Management Committee (LEMC) and in conjunction with the development of the risk register which is in working progress. The functions of the LEMC are to advise and assist the local government in establishing local emergency managements for the district. Contingency plans should be included in the LEMA and AMP. ▶ The contingency plans should be tested so that all identified personnel become familiar with their responsibilities.. (Refer to item 2.2 in the 2008 Audit Plan). 	<ul style="list-style-type: none"> ▶ The procedure for expected or likely emergencies will be identified and contingency plans drafted. A copy of these will be given to the local LEMAC for inclusion in its LEMA. 	MEHBS Contractors LEMAC	December 2012
10	Financial Planning				
10.1 (Items 10.3-	The AMP and supporting documentation contain 5 year operating and capital expenditure forecasts up to 2012.	<ul style="list-style-type: none"> ▶ The AMP forecasts are in need of updating ▶ Financial plans with predictions of income over the next five years should be documented. 	<ul style="list-style-type: none"> ▶ The AMP forecasts will be updated. ▶ The financial plans with predictions of income over the next 5 years will be developed. 	MEHBS DCEO/Council	December 2012

ASSET MANAGEMENT REVIEW					
No	AMS Element	Recommendations	Actions	By Whom	Date
.4)	Supporting documentation has projections up to 2070. The AMP forecasts will need to be updated within the current review of the AMP.				
11	Capital Expenditure Planning				
12	Review of AMS				
12.1 (Item 12.1)	A review process should be in place to ensure that the asset management plan and the asset management system described therein are kept current. The current AMP was issued in 2007 and due to be revised in 2012. A copy of the new AMP (2012 version) was sighted, work is in progress on completing this document.	<ul style="list-style-type: none"> The AMP should be reviewed yearly so that minor updates of key figures, dates and actions plans will assist in maintaining it as a realistic and working document. 	<ul style="list-style-type: none"> The AMP is currently being updated and it is hoped to be basically complete at this time. Annual reviews will be easier to carry out once this process is completed. 	MEHBS	August 2012
	Actions from Previous Post Asset Management Review Implementation Plan				
	All previous actions have been combined with current actions.				