



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

Operational Audit and  
Asset Management  
System Review

Final Report

June 2012

## TABLE OF CONTENTS

Executive Summary .....	1
Audit Opinion.....	4
1. Background.....	7
2. Methodology .....	8
2.1 Objectives and Scope .....	8
2.2 Audit Period and Timing.....	9
2.3 Licensee’s Representatives Participating in the Audit.....	9
2.4 Key Documents Examined.....	9
2.5 Operational Audit - Compliance Ratings.....	10
2.6 Asset Management System Review - Effectiveness Ratings .....	10
2.7 Audit Team and Hours .....	11
3. Operational Audit .....	13
3.1 Summary of Compliance Ratings.....	13
3.2 Previous Audit Recommendations.....	15
3.3 Audit Results and Recommendations.....	25
3.4 Recommended Changes to the Licence.....	42
3.5 Conclusion.....	42
4. Asset Management System Review.....	45
4.1 Summary of Asset Management System Ratings .....	46
4.2 Previous Review Recommendations .....	47
4.3 Review Results and Recommendations .....	50
4.4 Conclusion.....	61
Appendix A: Post Audit Implementation Plan .....	63

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## Executive Summary

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

The Shire of Moora has contracted some aspects of managing the sewerage scheme to the Water Corporation including maintenance and repair of the collection and conveyance system, up to the point where the waste enters the treatment plant. The maintenance and repair of the treatment plant, including the chlorination system is the responsibility of the Shire, as is the responsibility for updating and maintaining the documentation associated with the system, reporting and customer services.

However, it is important to note that the Shire of Moora remains responsible for the full operation of the sewerage scheme and management of the contract with the Water Corporation.

The scheme consists of seven catchment areas with pumping stations, approximately 16 km of sewerage reticulation and pressure mains and one waste treatment plant, serving 485 domestic and 100 commercial and industrial properties and a population of approximately 1,200. Through the scheme approximately 72,000m<sup>3</sup> of wastewater is collected and treated each year with additional treatment of effluent for non-potable purposes.

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

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

### OPERATIONAL AUDIT

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

- Not complying with the performance requirement to have fewer than 40 blockages per 100km of sewer main per year in the 2009/10 and 2010/11 (and possibly in 2008/09 as the report could not be located); and
- Not providing the 2009/10 performance and compliance reports to the Authority within the required timeframes and omitting these items as non-compliances in the subsequent compliance report. Also, the Shire was unable to locate the reports for 2008/09.

The audit reviewed the action taken on previous audit recommendations in the audit report issued in March 2009 and confirmed that out of the 10 recommendations, 3 have been completed, 1 is no longer applicable, 3 have been partly completed and 3 are outstanding.

The Shire has acknowledged that it has not fully implemented the Post Audit Action Plan. However, the Shire has now placed "sewerage scheme renewal" on their Strategic Plan as the number four priority. This indicates that the Shire acknowledges that resources need to be assigned to this area.

The partially completed and outstanding issues concerned:

- Schedule 2 of the Agreement between the Water Corporation and the Shire of Moora has not been updated for the requirement to operate and maintain the

scheme in accordance with the Water Services Operating Licence; and for the Shire's responsibility to report on performance;

- The Asset Management Plan has not been updated for various regulatory reporting requirements to the Authority and to the Department of Environment.
- The regulatory timeframes have not been included in the compliance schedule of dates in the Shire's corporate calendar; and
- Documentation explaining where and how to source the required information for performance reporting has not been created.

The audit recommended that the Shire:

- Update the Schedule 2 of the Agreement between the Water Corporation and the Shire of Moora for the operation and maintenance of the Moora sewerage system for the requirement to operate and maintain the Shire's sewerage scheme in accordance with the Water Services Operating Licence; and for the Shire's responsibility to report on performance;
- Update the compliance schedule of dates in the Shire's corporate calendar to include the required regulatory timeframes to ensure the deadlines are met;
- Ensure compliance with the prescribed performance standards in the future; and
- Ensure all future Performance and Compliance Reports are submitted to the Authority within the required timeframes and copies are retained; and the procedures to compile the reports are documented; and
- Update the Asset Management Plan for the reporting requirements to the Authority under the Water Services Operating Licence; for the requirement to notify the Authority of any changes to the asset management system within the required timeframe; and to provide an annual audit compliance report to the Department of Environment.

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

The audit made recommendations to the Shire to improve the strength of its internal controls over its information reporting obligations. Otherwise, the control environment is considered adequate.

### **ASSET MANAGEMENT SYSTEM REVIEW**

The review of the Asset Management System has shown that the processes were reasonably well-defined when the Asset Management Plan was developed in 2008 but there is a lack of evidence of the planned procedures being applied in practice.

Due to consistent staff turnover there has been no real continuity of management or record-keeping, although some records appear to be satisfactory and present, they are not in any cohesive state.

Currently, the Asset Management System does not meet the requirements of an effective asset management system being the framework of policies, plans, procedures and asset management information system.

The new Manager Health, Building and Planning Services who was present at this audit, is planning to bring the asset management system and records into a well-managed and workable state.

The review confirmed that the four recommendations in the previous review report dated March 2009 are still outstanding.

The outstanding audit recommendations are:

- The Asset Management Plan has not been updated for the current operating licence from the Authority;
- Contingency plans have not been tested;
- Maintenance resources need to be assessed; and
- Other sections of the Asset Management Plan need to be updated.

The following new issues were noted:

- The Asset Register has not been reviewed or updated since it was created in 2008, including the annual assessment of the condition of assets;
- The human resources need to support the scheme and their training needs are not stated in the Asset Management Plan; and
- The audit was unable to locate any evidence of maintenance plans per the Asset Management Plan being implemented.

The review recommended that the Shire:

- Review and revise the Asset Management Plan including the requirements of the current operating licence and the financial information.
- Review and update the Asset Register including the annual assessment of the condition of assets;
- Update the Asset Management Plan for the human resources to support the scheme and their training needs;
- Based on the asset maintenance procedures in the Asset Management Plan, develop and implement an annual maintenance schedule;
- Review/test the contingency plans on an annual basis; and
- A minor improvement is to include a summary of changes in the document history in the Asset Management Plan.

From physical observation, the scheme's assets appear to be well-maintained and staff appear to be aware of the operational and maintenance requirements. However, the asset management system is not being adequately maintained.

#### **POST AUDIT IMPLEMENTATION PLAN**

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

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

## Audit Opinion

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

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

#### Respective Responsibilities

The Shire of Moora is responsible for compliance with the procedures and controls over the performance and quality standards and obligations of the Water Services Operating Licence. Our responsibility is to provide reasonable assurance and express a conclusion on compliance with the performance and quality standards and obligations of the Water Services Operating Licence, in all material respects.

Our audit has been conducted in accordance with applicable Standards on Assurance Engagements (ASAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and 3100 "Compliance Engagements".

Our audit procedures have been included in Section 1 of this report and have been undertaken to form a conclusion as to whether the Shire of Moora has complied in all material respects, with the procedures and controls over the performance and quality standards and licence obligations of the Water Services Operating Licence for the period 1<sup>st</sup> December 2008 to 30<sup>th</sup> November 2011 as measured by the Authority's Water Compliance Reporting Manual, May 2011.

#### Limitations

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

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

#### Auditor's Qualified Opinion

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

- Not complying with the performance requirement to have fewer than 40 blockages per 100km of sewer main per year in the 2009/10 and 2010/11 (and possibly in 2008/09 as the report could not be located);
- Not providing the 2009/10 performance and compliance reports to the Authority within the required timeframes and omitting these items as non-compliances in the subsequent compliance report. Also, the Shire was unable to locate the reports for 2008/09; and

- The Asset Management System does not meet the requirements of an effective asset management system being the framework of policies, plans, procedures and asset management information system.

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

**QUANTUM MANAGEMENT CONSULTING & ASSURANCE**



GEOFF WHITE      PERTH, WA  
DIRECTOR          2 JULY 2012

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

Operational Audit and  
Asset Management  
System Review  
- Introduction

Final Report

June 2012



## 1. Background

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

The Shire is required to comply with the terms and conditions of their licence, including applicable legislative provisions and performance reporting as set out in their licence and the Water Compliance Reporting Manual (May 2011).

The Shire of Moora has contracted some aspects of managing the sewerage scheme to the Water Corporation including maintenance and repair of the collection and conveyance system, up to the point where the waste enters the treatment plant. The maintenance and repair of the treatment plant, including the chlorination system is the responsibility of the Shire, as is the responsibility for updating and maintaining the documentation associated with the system, reporting and customer services.

However, it is important to note that the Shire of Moora remains responsible for the full operation of the sewerage scheme and management of the contract with the Water Corporation.

The scheme consists of seven catchment areas with pumping stations, approximately 16 km of sewerage reticulation and pressure mains and one waste treatment plant, serving 485 domestic and 100 commercial and industrial properties and a population of approximately 1,200. Through the scheme approximately 72,000m<sup>3</sup> of wastewater is collected and treated each year with additional treatment of effluent for non-potable purposes.

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

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

## 2. Methodology

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### 2.1 Objectives and Scope

#### 2.1.1 Operational Audit

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

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

The scope of the audit covered the following:

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

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

#### 2.1.2 Asset Management System Review

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

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

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

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

## 2.2 Audit Period and Timing

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

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

## 2.3 Licensee's Representatives Participating in the Audit

- Jen Dodd – Project and Support Officer (PSO)
- Peter Williams – Manager Health, Building and Planning Services (MHBPSS)

## 2.4 Key Documents Examined

- Shire of Moora Water Services Operating Licence 23 version OL2 dated 15 May 2009
- Audit Report - Shire of Moora Water Licence Operational Audit and Asset Management Review dated 31 March 2009
- Post Audit Implementation Plan - Shire of Moora Water Licence Operational Audit and Asset Management Review dated 31 March 2009
- Post Audit Implementation Plan update dated 27 April 2010
- Shire of Moora Customer Service Charter for Wastewater Services 2008
- Shire of Moora Annual Report for 2010-2011
- Shire of Moora Sewerage Scheme Complaints Register
- Shire of Moora Customer Action Request Form
- Agreement between the Water Corporation of Western Australia and the Shire of Moora for the operation and maintenance of the Shire of Moora sewerage scheme (Headworks and reticulation) dated 29 July 1997
- Water Corporation and Shire of Moora - Moora Sewerage Scheme – Headworks and Reticulation – Extension and Variation dated 25 November 1999
- The Department of Environment Licence No. 5214 valid for the period between the 6<sup>th</sup> October 2008 and the 5<sup>th</sup> October 2013
- Shire of Moora Asset Management Plan Moora Town Sewerage Scheme dated July 2008
- Performance Reports to the Authority for the years ended 30 June 2010 and 2011
- Compliance Reports to the Authority for the years ended 30 June 2010 and 2011
- Correspondence between the Shire and the Authority
- Moora Operating Area (Sewerage and Non-potable water supply services) Plan No. OWR-OA-058/2.

## 2.5 Operational Audit - Compliance Ratings

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

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

## 2.6 Asset Management System Review - Effectiveness Ratings

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

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

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

### Asset management process - Performance ratings

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

### 2.7 Audit Team and Hours

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

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

Operational Audit –  
Detailed Report

Final Report

June 2012

### 3. Operational Audit

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

#### 3.1 Summary of Compliance Ratings

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

No. <sup>1</sup>	Operating Licence Compliance Element	Operating Licence reference (Cl.=clause, Sch.=schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (Low, Medium, High)	Adequacy of existing controls (S=strong, M=moderate, W=weak)	Compliance Rating (1=significantly non-compliant, 2=non-compliant, 3=compliant, 4=compliant, 5=compliant, N/A = not applicable, N/R = not rated)							
							1	2	3	4	5	N/A	N/R	
<b>WATER SERVICES LICENSING ACT 1995</b>														
1	General duty to provide services	n/a	1	C	Low	Strong						✓		
2	Regulations prescribing standard of service	Cl. 19	3	B	High	Moderate	✓							
3	Asset Management System	Cl. 17.1	2	C	Medium	Moderate			✓					
4	Notify changes to Asset Management System	Cl. 17.2	1	C	Low	Moderate							✓	
5	Review of Asset Management System	Cl. 17.3	1	C	Low	Moderate				✓				
6	Operational Audit	Cl. 16.1	1	C	Low	Moderate				✓				
7	Comply with Performance Standards (emergency response, complaints, continuity and overflows)	Cl. 20.1	3	B	High	Moderate	✓							
<b>WATER COORDINATION REGULATIONS 1996</b>														
8	Payment of fees	Cl. 4.1	1	C	Low	Strong							✓	
<b>OTHER LICENCE CONDITIONS</b>														
9	Customer complaints process	Cl. 6.1	2	B	Medium	Strong					✓			
10	<i>N/A to local government</i>	Sch.3, Cl. 3.1	N/A	N/A	N/A	N/A						✓		
11	Customer complaints resolution	Sch.3, Cl. 3.8	2	B	Medium	Strong							✓	
12	Staff trained to respond to complaints	Sch.3 Cl.3.2(b)	N/A	N/A	N/A	N/A						✓		
13	Staff authorised to make decisions on complaints	Sch.3 Cl.3.9(b)	1	C	Low	Strong					✓			
14	Complaints system	Sch.3 Cl.3.2(d)	2	B	Medium	Strong					✓			
15	<i>N/A to local government</i>	Sch.3 Cl.3.4	N/A	N/A	N/A	N/A						✓		
16	Option to refer complaint to Dept. of Water	Sch.3 Cl.3.10	2	B	Medium	Strong							✓	
17	Must co-operate with Dept. of Water	Sch.3 Cl.3.6	2	C	Medium	Strong							✓	
18	Provide details to Dept. of Water	Sch.3 Cl.3.7	2	C	Medium	Strong							✓	

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

No. <sup>1</sup>	Operating Licence Compliance Element	Operating Licence reference (Cl.=clause, Sch.=schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (Low, Medium, High)	Adequacy of existing controls (S=strong, M=moderate, W=weak)	Compliance Rating (1=significantly non-compliant, 2=non-compliant, 3=compliant, 4=compliant, 5=compliant, N/A=not applicable, N/R=not rated)								
							1	2	3	4	5	N/A	N/R		
19	Customer Service Charter	Cl.7.1	1	C	Medium	Strong							✓		
20	Availability of Customer Service Charter	Sch.3 Cl. 2.5	2	B	Medium	Strong							✓		
21	Charter reviewed every 3 years	Sch.3 Cl. 2.6	2	C	Low	Strong							✓		
22	Services consistent with Charter	Sch.3 Cl. 2.7	2	C	Medium	Strong							✓		
23	Customer consultation process	Cl. 8	2	C	Medium	Strong							✓		
24	Customer Council or at least two other forums	Sch.3 Cl. 4.1	2	C	Medium	Strong									✓
25	Consult the Authority on type and extent of customer consultation	Sch.3 Cl. 4.2	2	C	Medium	Strong							✓		
26	If requested, establish other forums	Sch.3 Cl. 4.3	2	C	Medium	Strong									✓
27	<i>Not applicable (only applies to irrigation licences)</i>	Sch.3 Cl. 4.4	N/A	N/A	N/A	N/A								✓	
28	Customer consultation prior to major changes	Sch.3 Cl. 4.5	2	B	Medium	Strong									✓
29	Council public question time	Sch. 3 Cl. 4.6	2	B	Medium	Strong							✓		
30	Modified customer agreements	Sch. 3 Cl. 5.1	2	B	Medium	Strong									✓
31	Annual report of non-standard agreements	Sch. 3 Cl. 5.4	2	B	Medium	Strong									✓
32	Customer survey, if directed by Authority	Sch. 3 Cl. 6	2	C	Medium	Strong									✓
33 to 40	<i>Not applicable (only applies to potable water licences)</i>	Cl. 9	N/A	N/A	N/A	N/A								✓	
41	Compliance with accounting standards	Cl. 15.1	1	C	Medium	Strong							✓		
42	Compliance with Operational Audit Guidelines	Cl. 16.2	1	C	Medium	Strong							✓		
43	Initial notification of asset management system (AMS) on licence commencement	Cl. 17.1	2	C	Low	Strong							✓		
44	Notify Authority of changes to AMS within 10 business days	Cl. 17.2	1	C	Low	Moderate									✓
45	Compliance with Asset Management Review guidelines	Cl. 17.4	2	B	Medium	Strong							✓		
46	Report on external administration or significant financial or technical changes	Cl. 18.1	3	C	High	Strong									✓
47	Provide any information requested by Authority	Cl. 21.1	1	C	Medium	Strong						✓			
48	Information reporting requirements	Cl. 21.2	2	B	Medium	Weak		✓							
49	Publish information directed by Authority	Cl. 22.2 - .4	2	B	Low	Strong									✓
-	Written conditions for connections	Sch.6 Cl. 2.1	2	B	Medium	Strong							✓		
-	Services available for connection	Sch.6 Cl. 2.2	2	B	Medium	Strong							✓		
-	Agreement to discontinue services	Sch.6 Cl. 2.3	2	B	Medium	Strong									✓



### 3.2 Previous Audit Recommendations

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

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
1.1 (n/a)	<b>Incident Reporting</b> The requirement to report incidents was removed from water licences in May 2009.	The audit sighted the 2006 Annual Report provided to the Department of Environment which reported 2 discharges to the environment, necessary due to the storage dams being at capacity. The report states that in both cases the Department at the Geraldton office was informed. However, no evidence was provided to the audit that the Authority was informed of these events within five days of their occurrence.  The "Reporting Requirements" section of the AMP outlines the reporting requirements of the Shire to the Department of Environment. However the reporting requirements to the Authority under the Water Services Operating Licence are not outlined in the AMP.	2	Inform the Authority of any sewerage overflows from wastewater/ sewerage infrastructure, including wastewater treatment plants, pumping stations etc. within five days of their occurrence.  Update the "Reporting Requirements" section of the AMP for the reporting requirements to the Authority under the Water Services Operating Licence.	<i>The Water Corporation control breakdowns through a mechanised phone system. The Shire will request reports along these lines in the future.</i>  <i>The Reporting Requirements section of AMP will be updated to reflect the recommendation.</i>  <i>MHB+PS</i> <i>31 May 2009</i>	No longer applicable - No action required.	CLOSED
1.2 (item 48)	<b>Information Reporting Requirements Cl.21.2</b> -	No copies of the Annual Performance Reports for 2006, 2007 and 2008 period were provided to the auditor for review. There was no evidence of any	2	Investigate whether the Authority received the annual performance reports for the Shire of Moora	<i>Whether the Authority received the annual performance</i>	The Shire confirmed with the Authority that Performance Reports for 2006, 2007 and 2008 were submitted to	PARTLY COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	The licensee must comply with the information reporting requirements as set out in Schedule 5.	<p>annual performance reports being prepared and submitted to the Authority.</p> <p>The audit came to the view that the Shire's EHO was not aware of the requirement to submit the annual performance report to the Authority and he believed that the Water Corporation handles the annual performance reporting to the Authority. However, the Agreement between the Water Corporation and the Shire for the operation and maintenance of the Moora sewerage system states that the Water Corporation is only responsible for periodic collection and collation of data on operation, maintenance and performance of the Moora sewerage scheme. The Water Corporation forwards the report quarterly to the Shire to enable the Shire to report on the sewerage scheme performance to the Department of Environment. The Agreement does not specify the requirement re reporting to the Authority under the Water Services Operating Licence.</p> <p>The "Reporting Requirements" section of the AMP outlines the reporting requirements of the</p>		<p>during the audit period. If not, prepare the annual performance reports and provide them to the Authority as soon as possible.</p> <p>Ensure compliance with the reporting requirements under the Water Services Operating Licence in the future.</p> <p>Retain copies of the annual performance reports as well as copies of all correspondence with the Authority as evidence of compliance.</p> <p>Update Schedule 2 of the Agreement between the Water Corporation and the Shire of Moora for operation and maintenance of the Moora sewerage system, for the Shire's responsibility to report on performance.</p> <p>Update the "Reporting Requirements" section of the AMP for the</p>	<p><i>reports will be investigated and missing reports will be immediately provided to the Authority.</i></p> <p><u>MHB+PS</u></p> <p><u>Immediately</u></p> <p><i>Copies of all annual performance reports as well as copies of all correspondence with the Authority will be retained by the Shire as evidence of compliance.</i></p> <p><i>Schedule 2 of Agreement between Water Corporation and Shire of Moora will be updated.</i></p> <p><u>To be carried out during 2009/2010 annual review</u></p> <p><i>The Reporting Requirements section of the</i></p>	<p>the Authority.</p> <p>For this audit period, copies of Performance and Compliance Reports for 2009 were not available nor copies of correspondence with the Authority.</p> <p><i>(Post Audit Implementation item 1.6)</i></p> <p>The agreement between the Water Corporation and the Shire of Moora has not been updated. Discussion with the Water Corporation is continuing.</p> <p><i>(Post Audit Implementation item 1.1)</i></p> <p>The Shire receives quarterly reports from the Water Corporation to enable the Shire to report on the sewerage scheme performance.</p> <p>The AMP has not been updated yet. The Shire hopes to have its</p>	

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
		<p>Shire to the Department of Environment. However, the reporting requirements to the Authority under the Water Services Operating Licence are not outlined in the AMP.</p> <p>Also, as the information for the annual performance reports comes from a variety of sources, the information as to where and how to source the required data needs to be documented.</p>		<p>reporting requirements to the Authority under the Water Services Operating Licence.</p> <p>Create documentation to explain where and how to source the required information; and file and keep copies of the source information together with a copy of the Schedule 3 Annual Performance Report to allow easier checking of the validity of the results.</p> <p>The integrity of data supplied by the Water Corporation should be confirmed prior to input into the spreadsheets.</p>	<p><i>AMP will be updated for the recommendation.</i></p> <p><u>31 May 2009</u></p> <p><i>Documentation explaining where and how to source the required information will be created; and copies of the source information will be filed and kept together with the Annual Performance Report. The integrity of data will be confirmed with the Water Corporation prior to input into the spreadsheets.</i></p> <p><u>30 June 2009</u></p>	<p>updated AMP completed by July 2012.</p> <p><i>(Post Audit Implementation item 1.7)</i></p> <p>The documentation explaining where and how to source the required information has not yet been created.</p> <p><i>(Post Audit Implementation Plan item 1.6)</i></p>	
1.3 (item 7)	<p><b>Service and Performance Standards – Cl. 20.1</b></p> <p>The Licensee must comply with the</p>	<p>The audit was provided with the Water Corporation's record of customer related sewerage blockages which reported 3 blockages for 2006/07 and 10</p>	3	<p>Maintain evidence of compliance with the quality and performance standards set out in Schedule 2</p>	<p><i>Will set up pathways for this to happen with the Water Corporation and</i></p>	<p>The Shire receives quarterly reports from the Water Corporation to enable the Shire to report on the sewerage</p>	COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	service and performance standards as set out in Schedule 4.	blockages for 2007/08. Based on this information, the audit could confirm that the Shire complied with the sewerage blockages performance standards.  However, due to the lack of evidence provided, the audit could not confirm the compliance with the performance standards in relation to the sewerage overflows, emergency response and responsiveness to customer complaints.		of the licence during the audit period, including any incidents of overflows or blockages.	<i>maintain a record of any incidents.</i>  <i>MHB+PS</i>  <i>30 June 2009</i>	scheme performance.	
1.4	<b>Contractors Maintenance Standards of</b>	The audit reviewed the Agreement between the Water Corporation and the Shire of Moora for the operation and maintenance of the Shire of Moora sewerage scheme and noted that the agreement requires the Water Corporation to operate and maintain the Shire's sewerage scheme in accordance with the requirements of the Department of Environment and associated licence No. 5214, but the compliance with the Water Services Operating Licence is not mentioned in the agreement.	2	Update Schedule 2 of the Agreement between the Water Corporation and the Shire of Moora for the operation and maintenance of the Moora sewerage system re the requirement that the Water Corporation will operate and maintain the Shire's sewerage scheme in accordance with the Water Services Operating Licence.	<i>The Schedule 2 of the Agreement between the Water Corporation and the Shire of Moora will be updated to reflect the recommendation.</i>  <i>MHB+PS</i>  <i>To be carried out during 2009/2010 annual review</i>	The Agreement between Water Corporation and Shire of Moora has not been updated yet. Discussion with the Water Corporation is continuing.  <i>(Post Audit Implementation Plan item 1.1)</i>	OUTSTANDING
1.5	<b>Obligations to other Licences</b>	The Shire of Moora recently renewed the Department of	2	Investigate whether the Department of	<i>Reports in Progress</i>	There were no non-compliances with the	PARTLY

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
		<p>Environment licence No. 5214 which will expire on the 5<sup>th</sup> October 2013.</p> <p>The audit noted that a late application fee was incurred due to the licence renewal application being overdue. The audit did not identify a process in place to ensure that the licence renewal application would be made on time in the future to avoid late application fees.</p> <p>The "Reporting Requirements" section of the AMP outlines the reporting requirements of the Shire to the Department of Environment. The audit noted that the G2 requirement of the licence to provide an annual monitoring report is included, but the G3 requirement to provide an annual audit compliance report by 1<sup>st</sup> September each year is not included within the "Reporting Requirements" section of the AMP.</p> <p>The audit sighted the 2006 Annual Report provided to the Department of Environment by the Shire. The Annual Reports to the Department for 2007 and 2008 were not provided to the audit for review as well as no</p>		<p>Environment received the annual monitoring reports for the Shire of Moora for 2007 and 2008. If not, prepare the annual monitoring reports and provide them to the Department as soon as possible.</p> <p>Ensure compliance with the reporting requirements of the Department of Environment and the associated licence in the future.</p> <p>Retain copies of all annual monitoring and compliance reports as well as copies of all correspondence with the Department as evidence of compliance.</p> <p>Update the "Reporting Requirements" section of the AMP for the reporting requirement of the licence to provide an annual audit compliance report by 1<sup>st</sup></p>	<p><i>MHB+PS</i></p> <p><i>Immediately</i></p> <p><i>Copies of all annual monitoring and compliance reports as well as copies of all correspondence with the Department will be retained as evidence of compliance.</i></p> <p><i>The Reporting Requirement section of the AMP will be updated to reflect the recommendation.</i></p> <p><i>A compliance schedule will be developed and implemented.</i></p> <p><i>31 May 2009</i></p>	<p>reporting requirements of the Department of Environment noted.</p> <p>The AMP has not been updated yet. The Shire hopes to have its updated AMP completed by July 2012.</p> <p>The date required for the licence renewal application, being at least 70 days before the expiry of the existing licence, is not included in the Shire's schedule of events.</p> <p><i>(Post Audit Implementation Plan item 1.4 &amp; 1.7)</i></p>	COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
		evidence was provided to support that they were prepared and submitted to the Department. It is an offence to contravene a licence condition which carries high financial penalties.		September each year as required under the clause G3 of the licence.  Develop and implement a compliance schedule with the date required for the licence renewal application, being at least 70 days before the expiry of the existing licence, included as part of the schedule of events to ensure regulatory timeframes are met and to avoid payment of late application fees in the future.			
1.6 (item 14)	<b>Customer Complaints</b> The licensee must provide an appropriate system to monitor and record the number, nature of and outcomes to complaints.	The Shire's EHO was not aware of the existence of a complaints register or whether there were any complaints other than the emergency calls received by the Shire during the audit period.  Due to the lack of evidence provided, audit was not able to ascertain whether there were any complaints about the sewerage scheme received by the Shire and if there were any, whether they were resolved within the	2	The Complaint Register should be developed and maintained by the Shire in order to improve internal control over the recording and reporting of complaints.  Each customer complaint received by the Shire and its	<i>The Complaints Register is monitored by the Water Corp. A pathway will be investigated so that the Shire can access it at any time.</i>  MHB+PS 31 May 2009	The Shire's Complaint Register has been developed and implemented.  The Shire confirmed with the Water Corporation that the Water Corporation records customer complaints received and manages complaints in accordance with the	COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
		required time.		<p>outcome should be recorded in the Complaints Register in sufficient details in order to be able to ascertain:</p> <ul style="list-style-type: none"> <li>• Date and time the complaint was received;</li> <li>• Name of the complainant;</li> <li>• Who received the complaint;</li> <li>• Method of complaint;</li> <li>• Details of the complaint;</li> <li>• Time from report of the complaint to action;</li> <li>• Details of the action taken;</li> <li>• Name of person authorising; and</li> <li>• Date/ time responded</li> </ul>		<p>Water Corporation's Customer Service Charter.</p> <p>The Audit confirmed with the Shire's Project and Support Officer that there were no sewerage related customer complaints received by the Shire and/or the Water Corporation over the audit period.</p>	
1.7 (items 4, 5, 43, 44 & 47)	<p><b>Provision of Information</b></p> <p>The licensee must provide any information the Authority may require</p>	The Authority advised the auditor that there was correspondence between the Authority and the Shire of Moora in May and June 2008 in relation to the requirement for the Shire to provide details of the AMS that is	4	<p>Provide details of the AMP to the Authority as soon as possible.</p> <p>Update the System Review section of the Asset Management</p>	<i>Details of the AMP will be provided to the Authority immediately.</i>	The AMP has not been updated yet. The Shire hopes to have its updated AMP completed by July 2012.	OUTSTANDING

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	<p>in connection with its functions under the Act.</p> <p><b>Asset Management System</b></p> <p>The licensee must provide for and notify the Authority of its asset management system within 2 business days from the licence commencement date unless notified in writing by the Authority.</p> <p>The licensee must notify the Authority of any changes to its asset management system within 10 business days from the date of change.</p> <p>The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an independent expert report, acceptable to</p>	<p>currently used. It does not appear that these details were ever provided to the Authority.</p> <p>The AMP contains a section on System Review that requires internal review and update of the AMP to be carried out each year, following the completion of the budget for the following year. Items to be updated include capital expenditure plan, financial plan and asset register. 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.</p> <p>The effectiveness of the Asset Management System is currently being audited and the final report will be provided to the Authority. However, we did not identify a process in place to ensure that the timeframes would be met in future. The implementation of the Asset Management System review was reactionary to a note sent by the Authority and not planned.</p>		<p>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 included as part of the schedule of events to ensure regulatory timeframes are met.</p> <p>Note the required timeframes for the notification of the asset management system changes to the Authority. Update the "Reporting Requirements" section of the AMP to ensure regulatory timeframes are met in case of changes occurring in the asset management system.</p>	<p><i>MHB/PS</i></p> <p><i>Immediately</i></p> <p><i>The System Review of the AMP will be updated to reflect the recommendation.</i></p> <p><i>31 August 2009</i></p> <p><i>A compliance schedule will be developed and implemented; and the required timeframes for the notification of the asset management system changes to the Authority noted in the schedule to reflect the recommendation.</i></p> <p><i>31 May 2009</i></p>	<p>The audit reviewed the compliance schedule of dates in the Shire's corporate calendar and noted that the Asset Management System Review dates are not included in the schedule of events.</p> <p><i>(Post Audit Implementation Plan items 1.2 &amp; 1.5)</i></p>	



Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	the Authority, on the effectiveness of the Asset management System.						
1.8 (item 6)	<b>Operational Audit</b> The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an operational audit conducted by an independent expert, acceptable to the Authority.	This performance audit is now being undertaken and will be completed.  However, we did not identify a process in place to ensure that the timeframes would be met in future. The implementation of the Operational Audit was reactionary to a note sent by the Authority and not planned.	4	Develop and implement a compliance schedule with Operational Audit dates included as part of the schedule of events to ensure regulatory timeframes are met.	<i>A compliance schedule will be developed and implemented.</i>  MHB+PS 31 May 2009	The audit reviewed the compliance schedule of dates in the Shire's corporate calendar and noted that the Operational Audit dates are not included in the schedule of events.  <i>(Post Audit Implementation Plan items 1.2)</i>	OUTSTANDING
1.9 (item 7)	<b>Service and Performance Standards</b> The Licensee must comply with the service and performance standards as set out in Schedule 4.	The Shire's Customer Service Charter provides a two hour response time to emergency calls for messages left on the answering machine. This is not in compliance with the Water Licence requirement to provide a response within one hour of receiving an emergency call.	4	Update the Emergency Assistance section of the Shire's Customer Service Charter in line with the requirement of the water service licence to provide a response within one hour of receiving an emergency call.	<i>The Emergency Assistance section of the Charter will be updated at the next review of the Charter to reflect the recommendation.</i>  MHB+PS 31 October 2011	The Shire's Customer Service Charter 2008 Wastewater Services has been updated to comply with the Water Licence. Now shows one hour response time to emergencies.	COMPLETED
1.10 (items 20 & 21)	<b>Customer Service Charter</b> The licensee must	The audit found that the Shire of Moora has submitted their new charter for approval within an	4	Increase accessibility of the Charter by making the Customer Charter available to	<i>The Customer Service Charter will be made available to</i>	The audit confirmed that the Customer Service Charter is	PARTLY COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	<p>make the Customer Service Charter available to its customers in the three ways detailed in their licence.</p> <p>The licensee must review its Customer Service Charter at least once in every three year period.</p>	<p>acceptable timeframe. However, we did not identify a process in place to ensure that the timeframes would be met in future.</p> <p>Audit confirmed through sighting that the charter is prominently displayed at the Shire's reception, and through discussion with the Shire's PSO that the charter is provided upon request and at no charge to customers.</p> <p>No process is in place to ensure that the Customer Service Charter availability notification will be provided to the Shire's customers on an annual basis in future.</p>		<p>customers on the Shire's website.</p> <p>Develop and implement a compliance schedule with the Customer Service Charter review dates included as part of the schedule of events to ensure regulatory requirements are met.</p> <p>Note the Customer Service Charter annual notification requirement in the compliance schedule.</p>	<p><i>customers on the Shire's website.</i></p> <p><i>MHB+PS – 30 June 2009</i></p> <p><i>A compliance schedule will be developed and implemented; and the Customer Service Charter annual notification requirement will be noted in the schedule to reflect the recommendation.</i></p> <p><i>31 May 2009</i></p>	<p>available to customers on the website.</p> <p>The audit reviewed the compliance schedule of dates in the Shire's corporate calendar and noted that the Customer Service Charter review dates and annual charter notification requirement are not included in the schedule of events.</p> <p><i>(Post Audit Implementation Plan items 1.2)</i></p>	

### 3.3 Audit Results and Recommendations

No <sup>2</sup>	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
<b>DETAILED COMPLIANCE OBLIGATIONS</b>							
<b>LICENCE COMPLIANCE REQUIREMENTS – WATER SERVICES LICENSING ACT 1995</b>							
1	Water Services Licensing Act Section 32(1)(a)	n/a	The licensee must provide the water service.	1	5	The audit confirmed that the Shire provides the water service.	5
2	Water Services Licensing Act Section 33	Clause 19	The Licensee must achieve prescribed standards as defined in the regulations.	2	1	As per item 7 – Non-compliance with the requirement to have fewer than 40 blockages per 100km of sewer main per year for the years ended 30 June 2009, 30 June 2010 and 30 June 2011.  The Shire was unable to locate the Performance Report for the year ended 30 June 2009. Information from the Authority is that the performance standards were not met for the year ended 30 June 2009.  <i>(Post Audit Implementation Plan item 1.3)</i>	2
3	Water Services Licensing Act	Clause 17.1	The Licensee must have an Asset Management System in respect to the licensed	2	4	The audit confirmed that the Asset Management System in respect to the licensed activity is in place. The Shire has	3

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

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
	Section 36(1)(a)		activity.			<p>contracted some aspects of managing the sewerage scheme to the Water Corporation.</p> <p>However, Schedule 2 of the Agreement between the Water Corporation and the Shire of Moora for the operation and maintenance of the Moora sewerage system hasn't been updated for the requirement to operate and maintain the Shire's sewerage scheme in accordance with the Water Services Operating Licence. The Agreement only requires operating and maintaining the Shire's sewerage scheme in accordance with the requirements of the Department of Environment.</p> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>Update Schedule 2 of the Agreement between the Water Corporation and the Shire of Moora for the requirement that the Water Corporation will operate and maintain the Shire's sewerage scheme in accordance with the Water Services Operating Licence.</li> </ul> <p><i>(Post Audit Implementation Plan item 1.1)</i></p>	
4	Water Services Licensing Act Section 36(1)(b)	Clause 17.2	The Licensee must notify the Authority of any changes to the Asset Management System.	2	5	<p>The audit confirmed with the Shire's Project and Support Officer (PSO) that during the audit period, the Shire has made no significant changes to the asset management system.</p> <p>The Authority has been kept informed about the progress of implementation of the previous audit recommendations via the PAIP updates.</p>	N/R
5	Water Services	Clause 17.3	The Licensee must not less than once in every period of 24	2	5	The Asset Management System Review is now being	4

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
	Licensing Act Section 36(1)(c)		months (or such other period determined by the Authority) provide the Authority with an independent expert report, acceptable to the Authority, on the effectiveness of the Asset management System.			<p>undertaken.</p> <p>The audit reviewed the compliance schedule of dates in the Shire's corporate calendar and noted that the Asset Management System Review dates are not included in the schedule of events.</p> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>▪ Update the compliance schedule of dates in the Shire's corporate calendar to include the next Asset Management System Review dates to ensure regulatory timeframes are met.</li> </ul> <p><i>(Post Audit Implementation Plan item 1.2)</i></p>	
6	Water Services Licensing Act Section 37(1)	Clause 16.1	The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an operational audit conducted by an independent expert, acceptable to the Authority.	2	5	<p>The Performance Audit is now being undertaken.</p> <p>The audit reviewed the compliance schedule of dates in the Shire's corporate calendar and noted that the Operational Audit dates are not included in the schedule of events.</p> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>▪ Update the compliance schedule of dates in the Shire's corporate calendar to include the next Operational Audit dates to ensure regulatory timeframes are met.</li> </ul> <p><i>(Post Audit Implementation Plan item 1.2)</i></p>	4
7	Water Services Licensing Act	Clause 20.1	The licensee must comply with the performance standards set out in Schedule 4.	2	1	<p>The audit reviewed the Shire's Performance Reports for the year ended 30 June 2010 and 2011 and noticed that the Shire complied with all performance standards except for the requirement to have fewer than 40 blockages per 100km of</p>	2

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
	Section 38(2)		<ul style="list-style-type: none"> <li>Emergency telephone response system such that customers need only make one call and they are advised of the nature and timing of action within one hour (Target is 90% of calls).</li> <li>90% of complaints resolved within 15 business days.</li> <li>Fewer than 40 blockages per 100km of sewer main per year</li> <li>90% of connected properties experience no sewerage overflows per year</li> </ul>			<p>sewer main per year as follows:</p> <ul style="list-style-type: none"> <li>In the year ended 30 June 2010, the Shire reported 24 sewer blockages, which represents a figure of 139.3 blockages per 100km of sewer main; and</li> <li>In the year ended 30 June 2011, the Shire reported 9 sewer blockages, which represents a figure of 56.3 blockages per 100km of sewer main.</li> </ul> <p>The Shire was unable to locate the Performance Report for the year ended 30 June 2009. Information from the Authority is that the performance standards were not met for the year ended 30 June 2009 as follows</p> <ul style="list-style-type: none"> <li>In the year ended 30 June 2009, the Shire reported 1 sewer blockages, which represents a figure of 63.8 blockages per 100km of sewer main.</li> </ul> <p>The Shire recently conducted a visual investigation (camera) of the main sewer to identify sewer damage which has since been repaired, but it is considered that the sewer is not in immediate need of any other repairs.</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>Ensure compliance with the prescribed performance standards in the future.</li> </ul> <p><i>(Post Audit Implementation Plan item 1.3)</i></p>	
<b>LICENCE COMPLIANCE REQUIREMENTS – WATER COORDINATION REGULATION 1996</b>							

No <sup>2</sup>	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
8	Water Services Coordination Regulations Section 2	Clause 4.1	The licensee must pay the applicable fees in accordance with the regulations.	N/R	5	<p>The licence expires on 29 April 2021. The application for renewal of the licence is to be accompanied by the prescribed fee.</p> <p>The Shire's Department of Environment and Conservation licence No. 5214 will expire on the 5<sup>th</sup> October 2013. Previously, a late application fee was incurred due to the licence renewal application being late.</p> <p>The audit reviewed the compliance schedule of dates in the Shire's corporate calendar and noted that the date required for the licence renewal application, being at least 70 days before the expiry of the existing licence, is not included in the schedule of events.</p> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>Update the compliance schedule of dates in the Shire's corporate calendar to include the licence renewal application due date, being at least 70 days before the expiry of the existing licence, in the schedule of events.</li> </ul> <p><i>(Post Audit Implementation Plan item 1.4)</i></p>	N/R
<b>LICENCE COMPLIANCE REQUIREMENTS – LICENCE CONDITIONS</b>							
9	N/A	Clause 6.1	The licensee must establish a customer complaints process as set out in Schedule 3.	NR	3	The Customer Service Charter outlines the process in regards to enquiries, suggestions, complaints and disputes.	5
10	N/A	Schedule 3	The licensee must resolve	NR	N/A	Shire of Moora is a Local Government Agency so this is not	N/A

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
		Clause 3.1	customer complaints within 15 business days of the receipt of complaint.			applicable.	
11	N/A	Schedule 3 Clause 3.8	The licensee must resolve customer complaints within 15 business days of the receipt of complaint or for matters to be considered by a Local Government Council within 5 business days after the first ordinary Council meeting following the 15 business day period.	NR	3	The audit confirmed with the Shire's PSO that there were no sewerage related customer complaints received by the Shire over the audit period.  However, the Performance Report to the Authority for the year ended 30 June 2009 notified one complaint due to sewerage odours. A Complaints Register has now been set up to record any complaints and action taken.	N/R
12	N/A	Schedule 3 Clause 3.2(b)	The licensee must provide appropriately trained staff to respond to complaints.	NR	N/A	Shire of Moora is a Local Government Agency so this is not applicable.	N/A
13	N/A	Schedule 3 Clause 3.9(b)	The licensee must provide one trained staff member who is authorised or has access to another officer who is authorised to make necessary decisions to respond to complaints.	NR	5	The Shire's CEO is authorised to make necessary decisions to settle the customer complaints or disputes. The Shire's staff have been provided with complaints resolution training through the OHS courses.	5
14	N/A	Schedule 3 Clause 3.2(d)	The licensee must provide an appropriate system to monitor and record the number, nature of and outcomes to	NR	3	If a complaint is received, the Shire of Moora Customer Action Request Form is to be completed. Also, a Complaints Register has been developed by the Shire.	5



No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			complaints.			The Water Corporation has its own Customer Service Charter that outlines their complaints process. However, any complaints received by the Water Corporation must also be recorded and action confirmed by the Shire as the licensee.	
15	N/A	Schedule 3 Clause 3.4	The licensee must inform the customer of the option to refer a disputed complaint to the Department of Water.	NR	N/A	Shire of Moora is a Local Government Agency so this is not applicable.	N/A
16	N/A	Schedule 3 Clause 3.10	The licensee must inform the customer of the option to refer a disputed complaint to the Department of Water unless the complaint is a matter that relates to section 3.22 of the <i>Local Government Act 1995</i> .	NR	4	The audit confirmed with the Shire's PSO that there were no disputed sewerage related customer complaints received by the Shire over the audit period.  The Customer Service Charter outlines the process in regards to enquiries, suggestions, complaints and disputes.  The Water Corporation has its own Customer Service Charter that outlines their complaints process. However, any complaints received by the Water Corporation must also be recorded and action confirmed by the Shire as the licensee.	N/R
17	N/A	Schedule 3 Clause 3.6	The licensee must co-operate with the Department of Water's request for information concerning a disputed complaint.	NR	4	The audit confirmed with the Shire's PSO that during the audit period, there were no such requests received from the Department of Water.	N/R
18	N/A	Schedule 3 Clause 3.7	The licensee must, on request, provide complaints details to the Department of Water.	NR	4	The audit confirmed with the Shire's PSO that during the audit period, there were no such requests received from the Department of Water.	N/R

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
19	N/A	Clause 7.1	The licensee must establish a Customer Service Charter as set out in Schedule 3.	2	4	<p>The revised Shire of Moora's Customer Service Charter for Wastewater Services was approved by the Authority on 28 November 2008.</p> <p>Based on the Authority's direction on 17 June 2009, the Shire amended the Customer Service Charter to include reference to the emergency response performance standard and advertised it publicly. At the end of the consultation period there had been no public submissions received.</p>	5
20	N/A	Schedule 3 Clause 2.5	The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence.	2	4	<p>The audit confirmed through sighting that the Customer Service Charter is prominently displayed at the Shire's reception, and through discussion with the Shire's PSO that the charter is provided upon request and at no charge to customers.</p> <p>In addition, the audit confirmed that charter is available to customers on the website.</p> <p>The Shire's PSO advised that customers are advised of the availability of the charter on annual basis as part of the annual levy rate notice mail out.</p> <p>The audit reviewed the compliance schedule of dates in the Shire's corporate calendar and noted that the annual Customer Service Charter notification requirement is not included in the schedule of events.</p> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>▪ Update the compliance schedule of dates in the Shire's corporate calendar to include the annual Customer</li> </ul>	4

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
						<p>Service Charter notification requirement in the schedule of events.</p> <p><i>(Post Audit Implementation Plan item 1.2)</i></p>	
21	N/A	Schedule 3 Clause 2.6	The licensee must review its Customer Service Charter at least once in every three year period.	2	5	<p>The previous charter was approved by the Authority in October 2005. The Shire submitted the first draft of its charter to the Authority for approval on 7 November 2008 and the final version of its charter on 24 November 2008. The revised charter was approved by the Authority on 28 November 2008. The next review date is due by 28 November 2012.</p> <p>The audit reviewed the compliance schedule of dates in the Shire's corporate calendar and noted that the annual Customer Service Charter notification requirement is not included in the schedule of events.</p> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>Update the compliance schedule of dates in the Shire's corporate calendar to include the annual Customer Service Charter notification requirement in the schedule, </li> </ul> <p><i>(Post Audit Implementation Plan item 1.2)</i></p>	4
22	N/A	Schedule 3 Clause 2.7	The licensee must provide its services consistent with its Customer Service Charter.	2	4	<p>The audit confirmed that the Shire provide its services consistent with its Customer Service Charter.</p> <p>The charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to the Shire's customers.</p>	5
23	N/A	Clause 8	The licensee must establish	NR	4	The audit confirmed with the Shire's PSO that an adequate	5

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			customer consultation processes as set out in Schedule 3.			customer consultation process has been established.	
24	N/A	Schedule 3 Clause 4.1	The licensee may either establish a Customer Council or institute at least 2 of the following: establish a regular meeting; publish a newsletter or run other public forums, concerning the licensed activities.	NR	4	The audit confirmed with the Shire's PSO that the Shire hold annual meetings in the town to discuss community concerns and seek feedback on the Shire's services generally. Also, articles are placed in the local newspaper.  The Shire also allows its customers to raise matters of concern regarding the sewerage system at public question time during the Moora Council meetings.	5
25	N/A	Schedule 3 Clause 4.2	The licensee must consult the Authority on the type and extent of consultation to be adopted by the licensee.	NR	4	The Shire's Customer Service Charter states that community involvement in the Shire's service planning and decision making processes will be sought through forums such as focus groups, customer surveys, and display at local functions. The Shire will use local media bulletins to advise customers of any system changes that may result in significant variation in its service levels.	5
26	N/A	Schedule 3 Clause 4.3	The licensee must, if at the request of the Authority, establish other forums for consultations, to enable community involvement in issues relevant to licence obligations.	NR	4	The audit confirmed with the Shire's PSO that during the audit period, there were no such requests received from the Authority.	N/R
27	N/A	Schedule 3 Clause 4.4	The licensee must hold season opening and closing	NR	N/A	Not applicable.	N/A

No <sup>2</sup>	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			public meetings, and the agenda must cover at least season opening and closing conditions, tariffs and scheme operation.				
28	N/A	Schedule 3 Clause 4.5	The licensee must prior to making a major change to the operation of a water service hold a public meeting and seek written submissions.	NR	4	The audit confirmed with the Shire's PSO that during the audit period, the Shire has made no significant changes to the operation of the water service.	N/R
29	N/A	Schedule 3 Clause 4.6	The licensee must allow customers to raise matters of concern regarding Council public question time in accordance with the <i>Local Government Act 1995</i> .	NR	4	The audit confirmed with the Shire's PSO that the Shire allows its customers to raise matters of concern regarding the sewerage system at public question time during the Moora Council meetings.	5
30	N/A	Schedule 3 Clause 5.1	The licensee may enter into an agreement with a customer to provide water services that may exclude, modify or restrict the terms of the licence.	NR	4	The audit confirmed with the Shire's PSO that no such agreements have been entered into over the audit period.	N/R
31	N/A	Schedule 3 Clause 5.4	The licensee must publish a report annually that includes the specified information.	NR	4	The audit confirmed with the Shire's PSO that no agreements that may exclude, modify or restrict the terms of the licence have been entered into over the audit period.	N/R
32	N/A	Schedule 3 Clause 6	The licensee must conduct a customer survey if directed by	NR	4	The audit confirmed with the Shire's PSO that during the audit period, there were no such directions received from the	N/R

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			the Authority.			Authority.	
33 to 40	N/A	Clause 9	Memorandum Understanding	2	N/A	Clause 9 is not applicable.	N/A
41	N/A	Clause 15.1	The licensee must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.	NR	4	Each year the Shire of Moora prepares a comprehensive Annual Report for the whole of the Shire, which is independently audited by a certified auditor.  The audit sighted the Shire's Financial Report for the year ended 30 <sup>th</sup> June 2011, including an Independent Audit Report.	5
42	Water Services Licensing Act Section 37	Clause 16.2	The licensee must comply and require the licensee's auditor to comply with the Authority's Standard Audit Guidelines, minimum requirements regarding appointment of the auditor, scope of audit, conduct of the audit and reporting of the audit.	NR	4	The Shire's Audit Plan –Water Services Operating Licence – Operational Audit and Asset Management System Review, dated 31 October 2011, stipulates compliance requirements on auditors.	5
43	Water Services Licensing Act Section 36	Clause 17.1	The licensee must provide for and notify the Authority of its asset management system within 2 business days from the licence commencement date unless notified in writing by the Authority.	2	5	The licence commencement date was 21 May 1997. The Authority was notified of the Shire's asset management system back then.	5

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
44	Water Services Licensing Act Section 36	Clause 17.2	The licensee must notify the Authority of any changes to its asset management system within 10 business days from the date of change.	2	5	<p>The audit confirmed with the Shire's PSO that during the audit period, the Shire has made no significant changes to the asset management system.</p> <p>However, the Monitoring and Review Procedures section of the Asset Management Plan has not yet been updated for the requirement to notify the Authority of any changes to the asset management system within the required timeframe. The Shire hopes to have its updated Asset Management Plan completed by July 2012.</p> <p>The audit reviewed the compliance schedule of dates in the Shire's corporate calendar and noted that the notification requirement is not included in the schedule of events.</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>▪ Update the Asset Management Plan - Monitoring and Review Procedures section for the requirement to notify the Authority of any changes to the asset management system within 10 business days. <i>(Post Audit Implementation Plan item 1.5)</i></li> <li>▪ Note the required timeframe for the notification of the asset management system changes to the Authority in the Compliance Schedule. <i>(Post Audit Implementation Plan item 1.2)</i></li> </ul>	N/R
45	Water Services Licensing Act	Clause 17.4	The licensee must comply and require the licensee's expert to comply with the Authority's	NR	4	The Audit Plan - Operational Audit and Asset Management System Review dated 31 October 2011 stipulates compliance requirements on auditors.	5

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
	Section 36		Standard Guidelines dealing with the asset management system review including, minimum requirements, regarding appointment of the expert reviewer, scope of review, conduct of the review and reporting of the outcomes of the review.				
46	N/A	Clause 18.1	The licensee must report to the Authority if it is under external administration within 2 business days or significant change in its financial or technical circumstances within 10 business days.	2	5	No significant changes.	N/R
47	N/A	Clause 21.1	The licensee must provide any information the Authority may require in connection with its functions under the Act.	2	3	In addition to the reporting requirements under the Water Compliance Reporting Manual, the Shire provided an update of the Post-Audit Implementation Plan in respect of the 2008 performance audit and asset management system review. The Shire has provided an update to the Authority in January 2011. Further updates were deferred pending the next audit and review.	4
48	N/A	Clause 21.2	The licensee must comply with the information reporting requirements as set out in Schedule 5.	2	3	In accordance with the Water Compliance Reporting Manual May 2011, the Shire is required to submit to the Authority: a) Annual performance reports no later than 31 July for the reporting year ending 30 June; and	2



No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
						<p>b) Annual compliance reports by 31 August for the year ending 30 June.</p> <p>The audit reviewed the Shire's Compliance and Performance Reports for the years ending 30 June 2010 and 2011 and noted the following exceptions:</p> <p>c) Performance and Compliance Reports for the year ended 30 June 2010 were submitted after the due date. Moreover, these non-compliances were omitted in the subsequent Compliance Report; and</p> <p>d) The Shire was not able to locate the Performance and Compliance Reports for the year ended 30 June 2009. The Authority advised that the 2009 Performance and Compliance reports were submitted after the due dates.;</p> <p>e) The Shire could not provide any evidence that the Performance and Compliance Reports for the year ended 30 June 2011 were submitted to the Authority by the due date.</p> <p>Also, the documentation explaining where and how to source the required information for all reporting has not yet been created.</p> <p><b>Recommendations:</b></p> <p>a) The Shire should ensure that all future Performance and Compliance Reports are submitted to the Authority within the timeframes required.</p> <p>b) Update the compliance schedule of dates in the Shire's</p>	

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
						<p>corporate calendar to include the annual Performance and Compliance Reports submission dates.</p> <p>c) Keep track of all non-compliances with the licence obligations so that future Compliance Reports include all non-compliances with the licence obligations.</p> <p>d) Create documentation to explain where and how to source the required information; and file and keep copies of the source information together with a copy of the Schedule 3 Annual Performance Report to allow easier checking of the validity of the results.</p> <p>e) Properly file all correspondence between the Shire and the Authority in a Water Licence hardcopy file.</p> <p><i>(Post Audit Implementation Plan item 1.6)</i></p>	
49	N/A	Clause 22.2 and 22.4	The licensee must publish relevant information directed to do so by the Authority within the specified timeframes.	NR	5	The audit confirmed with the Shire's PSO that during the audit period, no such directions were received from the Authority.	N/R
-	N/A	Schedule 6 Clause 2.1	The licensee must set out in writing its conditions for connection and make it available to people enquiring or applying for connection.	NR	4	The audit confirmed that the Shire provide its services consistent with its Customer Service Charter.  The charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to the Shire's customers.	5
-	N/A	Schedule 6 Clause 2.2	The licensee must ensure that its services are available for connection on any land in the	NR	4	The audit confirmed with the Shire's PSO that the services are available for connection on any land in the Operating	5

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			Operating Area subject to compliance with the Shire's conditions.			<p>Area subject to compliance with the Shire's conditions.</p> <p>The audit confirmed that the Shire provide its services consistent with its Customer Service Charter.</p> <p>The charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to the Shire's customers.</p>	
-	N/A	Schedule 6 Clause 2.3	The licensee may with the written agreement of the property owner discontinue a service where it is not commercially viable.	NR	4	The audit confirmed with the Shire's PSO that over the audit period there was no discontinuation of the service due to the service not being commercially viable.	N/R

### 3.4 Recommended Changes to the Licence

No changes to the licence are considered necessary.

### 3.5 Conclusion

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

- Not complying with the performance requirement to have fewer than 40 blockages per 100km of sewer main per year in the 2009/10 and 2010/11 (and possibly in 2008/09 as the report could not be located); and
- Not providing the 2009/10 performance and compliance reports to the Authority within the required timeframes and omitting these items as non-compliances in the subsequent compliance report. Also, the Shire was unable to locate the reports for 2008/09.

The audit reviewed the action taken on previous audit recommendations in the audit report issued in March 2009 and confirmed that out of the 10 recommendations, 3 have been completed, 1 is no longer applicable, 3 have been partly completed and 3 are outstanding.

The Shire has acknowledged that it has not fully implemented the Post Audit Action Plan. However, the Shire has now placed “sewerage scheme renewal” on their Strategic Plan as the number four priority. This indicates that the Shire acknowledges that resources need to be assigned to this area.

The partially completed and outstanding issues concerned:

- Schedule 2 of the Agreement between the Water Corporation and the Shire of Moora has not been updated for the requirement to operate and maintain the scheme in accordance with the Water Services Operating Licence; and for the Shire’s responsibility to report on performance;
- The Asset Management Plan has not been updated for various regulatory reporting requirements to the Authority and to the Department of Environment.
- The regulatory timeframes have not been included in the compliance schedule of dates in the Shire’s corporate calendar; and
- Documentation explaining where and how to source the required information for performance reporting has not been created.

The audit recommended that the Shire:

- Update the Schedule 2 of the Agreement between the Water Corporation and the Shire of Moora for the operation and maintenance of the Moora sewerage system for the requirement to operate and maintain the Shire’s sewerage scheme in accordance with the Water Services Operating Licence; and for the Shire’s responsibility to report on performance;
- Update the compliance schedule of dates in the Shire’s corporate calendar to include the required regulatory timeframes to ensure the deadlines are met;

- Ensure compliance with the prescribed performance standards in the future; and
- Ensure all future Performance and Compliance Reports are submitted to the Authority within the required timeframes and copies are retained; and the procedures to compile the reports are documented; and
- Update the Asset Management Plan for the reporting requirements to the Authority under the Water Services Operating Licence; for the requirement to notify the Authority of any changes to the asset management system within the required timeframe; and to provide an annual audit compliance report to the Department of Environment;

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

The audit made recommendations to the Shire to improve the strength of its internal controls over its information reporting obligations. Otherwise, the control environment is considered adequate.

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

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

Asset Management  
System Review –  
Detailed Report

Final Report

June 2012

## 4. Asset Management System Review

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

This included evaluating the key processes of:

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

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

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

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

#### 4.1 Summary of Asset Management System Ratings

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

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

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



## 4.2 Previous Review Recommendations

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

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
2.1	<b>Environmental Analysis</b> Compliance with statutory and regulatory requirements	The Regulatory Requirements section of the AMP outlining the requirements of the operating licence for the sewerage services needs to be updated in line with the new operating licence issued to the Shire of Moora on 6 <sup>th</sup> August 2008.	2	Update the Asset Management Plan in line with the requirements of the new operating licence for the sewerage services.	<i>The Asset Management Plan will be updated to reflect the recommendations.</i>  MHB + PS 31 May 2009	The AMP has not been updated yet. The Shire hopes to have its updated AMP completed by July 2012.  <i>(Post Audit Action Plan item 2.1)</i>	OUTSTANDING
2.2	<b>Contingency Plans</b> Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	Although the need for the emergency procedures testing/assessment has been stated in the AMP, there is no evidence of testing. Also, the Shire's EHO wasn't aware of any emergency procedures test being carried out to ensure that procedures are operable and that appropriate persons are aware of their responsibilities in case of emergency.	1	Arrange testing/ assessment of the emergency procedures on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency.  Written records of these tests/assessments should be kept with the appendices of the AMP.	<i>Will liaise with Water Corp on the procedure.</i>  <i>The contingency plans will then be reviewed and tested on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in</i>	No testing has been conducted.  <i>(Post Audit Action Plan item 2.5)</i>	OUTSTANDING

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
					<p><i>cases of emergency.</i></p> <p><i>Written records of these tests/ assessment will be kept with the appendices of the AMP.</i></p> <p><i>MHB+PS</i></p> <p><i>30 November 2009</i></p>		
2.3	<p><b>Asset Operations</b></p> <p>Staff receive training commensurate with their responsibilities.</p>	<p>The AMP notes that in the past, little time has been spent on preventative maintenance, with both Water Corporation and Shire staff shortages ensuring that only reactionary maintenance is carried out. The future operating budget has been increased to account for more time to be spent on the sewerage system, in line with the additional items set out in the maintenance schedule.</p> <p>The AMP also includes a recommendation that the Shire, as part of the negotiation with the Water Corporation with regards to the increased budget</p>	3	<p>The Shire, as part of the negotiation with the Water Corporation with regards to the increased budget allowance, raised the additional maintenance requirements, to allow the Water Corporation to allocate appropriate staffing levels.</p>	<p><i>Due to expense, extra staffing for the Water Corp would not be possible.</i></p> <p><i>MHB+SP</i></p> <p><i>No action</i></p>	<p>Resourcing for asset operations and maintenance needs to be further considered in the updating of the AMP and tender for contractor assistance.</p> <p><i>(Post Audit Action Plan item 2.3)</i></p>	OUTSTANDING

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
		allowance, raise the additional maintenance requirements, to allow the Water Corporation to allocate appropriate staffing levels. The audit agrees with this recommendation.					
2.4	<p><b>Review of Asset Management System</b></p> <p>A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.</p>	<p>The AMP contains a section on System Review that requires internal review and update of the AMP to be carried out each year, following the completion of the budget for the following year. Items to be updated include capital expenditure plan, financial plan and asset register.</p> <p>The operational audit and asset management system review identified that some sections of the AMP need to be updated to reflect current practices.</p>	2	Update the sections of the Asset Management Plan identified by the operational audit and the asset management system review as requiring amendment.	<p><i>The sections of the Asset management Plan identified as requiring amendment will be updated to reflect the recommendation.</i></p> <p>MHB+PS 31 May 2009</p>	<p>The AMP has not been updated yet. The Shire hopes to have its updated AMP completed by July 2012.</p> <p><i>(Post Audit Action Plan item 2.1)</i></p>	OUTSTANDING

### 4.3 Review Results and Recommendations

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating <sup>3</sup>	B	Performance Rating <sup>4</sup>	3
1	<b>ASSET PLANNING</b>				
1.1	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	<p>The Shire of Moora Asset Management Plan 2008 (AMP) includes the following mission statement: <i>“The mission of the Shire of Moora in providing this service is to provide cost effective wastewater collection, treatment and disposal services for the town of Moora, which meets community expectations for health and environmental management”</i>.</p> <p>The Levels of Service requirements for customers are detailed in the Customer Service Charter. These include the service commitment detailed below:</p> <p><i>“The Shire of Moora will provide its services in a manner which is fair, courteous and timely with a focus on consultation with our customers, respecting your rights and meeting your reasonable expectations.”</i></p> <p>Additionally, the levels of service and performance indicators have been defined in the AMP.</p>			
1.2	Service levels are defined.	The Shire of Moora AMP was sighted. The goal, objective and level of service are stated in the AMP.			
1.3	Non-asset options (e.g. demand management) are considered.	<p>The assets are considered appropriate for the current levels of demand although nearing capacity (current observation during the audit). Demand forecast in the 2008 AMP have not been updated.</p> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>Consider the forecast demand over the life of the scheme’s assets in revising the Asset Management Plan.</li> </ul> <p><i>(Post Audit Implementation Plan item 2.1)</i></p>			
1.4	Lifecycle costs of owning and operating assets are assessed.	The life cycle costs have been budgeted for in the Annual Capital Investment Budget and the Annual Operations and Maintenance Budget.			
1.5	Funding options are evaluated.	The Shire maintains a Sewerage Reserve to meet major capital upgrades/replacement of key infrastructure. The			

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

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

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<p>funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Moora Sewerage Scheme.</p> <p>The Shire charges annual rates that cover the annual expenditure on the sewerage scheme.</p>			
1.6	Costs are justified and cost drivers identified.	The analysis assumes that assets will be replaced at the end of their standard economic life. The forecast lifecycle asset replacement program is included in the Annual Capital Investment Budget Excel spreadsheet. The plan also states operational and maintenance costs. Demand is stable with no new connections expected in the short term.			
1.7	Likelihood and consequences of asset failure are predicted.	The analysis assumes that assets will be replaced at the end of their standard economic life. The risk of pre-mature asset failure is considered to be low in the AMP.			
1.8	Plans are regularly reviewed and updated.	<p>The AMP has not been reviewed or updated since it was issued in 2008. The Shire intends to revise the plan by July 2012. The Asset Management Plan should be reviewed and updated on an annual basis with major revisions every 5 years.</p> <p>The Asset Management Plan has not been reviewed or updated since it was issued in 2008. The Shire intends to revise the plan by July 2012.</p> <p>For example, the requirements of the current operating licence issued in May 2009 are not stated. Also, the financial information is out-of date.</p> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>• Review and revise the Asset Management Plan including the requirements of the current operating licence and the financial information.</li> </ul> <p><i>(Post Audit Implementation Plan item 2.1)</i></p>			
<b>2</b>	<b>ASSET CREATION/ ACQUISITION</b>	Process Rating	A	Performance Rating	1
2.1	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	No new assets are currently planned, only upgrades and maintenance to the existing system, and replacements of existing infrastructure as required.			
2.2	Evaluations include all life-cycle costs.	No new assets are currently planned, only upgrades and maintenance to the existing system, and replacements of existing infrastructure as required.			
2.3	Projects reflect sound engineering and business decisions.	No new assets are currently planned, only upgrades and maintenance to the existing system, and replacements of existing infrastructure as required.			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		New assets required in the future will be procured through the Government Supply system where available or through public tendering and in accordance with the Shire's procurement policies and procedures.			
2.4	Commissioning tests are documented and completed.	No new assets acquired.			
2.5	Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	Section 2.3 of the AMP outlines the legislative, health and safety and environmental requirements. The site has been registered with the Department of Environment.			
<b>3</b>	<b>ASSET DISPOSAL</b>	Process Rating	A	Performance Rating	1
3.1	Under-utilised and under-performing assets are identified as part of a regular systematic review process.	Annual asset condition appraisal and regular preventative maintenance identifies assets that are underperforming. These are investigated and corrective action taken to remedy to the situation, or the assets disposed of.			
3.2	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	The system is meeting demand and working close to capacity. As such there are no plans to dispose of any major assets in the foreseeable future.  Should asset condition assessment reveal under-performing assets or the service level change dramatically; an asset disposal plan will be required, to ensure that the process is correctly undertaken.			
3.3	Disposal alternatives are evaluated.	Assets at the end of their life will be replaced with a similar capacity and the old asset dumped or recycled for scrap as appropriate.			
3.4	There is a replacement strategy for assets.	An asset renewal and replacement plan assumes replacing assets at the end of their effective life, if required.  The Sewerage Reserve Fund has been established to meet major capital upgrades/replacement of key infrastructure.			
<b>4</b>	<b>ENVIRONMENTAL ANALYSIS</b>	Process Rating	B	Performance Rating	3
4.1	Opportunities and threats in the system environment are assessed.	Section 3 of the AMP outlines the SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis and risk assessment for the Shire. Input is also sought from the Water Corporation's risk assessment on the assets they operate and maintain on behalf of the Shire.			
4.2	Performance standards (availability of service, capacity, continuity, emergency response, etc) are	The levels of service and performance parameters are clearly defined in the AMP. They include availability, capacity, continuity, odour control, emergency response and blockages.  Annual Performance Reports for 2008/09, 2009/10 and 2010/11 noted that performance standards for blockages are			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)	
	measured and achieved.	not being met. Also, one compliant for sewerage odours noted in 2008/09 report. Refer Operational Audit section 3.3 item 7. <b>Recommendation:</b> <ul style="list-style-type: none"> <li>• Ensure compliance with the prescribed performance standards for sewerage blockages.</li> </ul> <i>(Post Audit Implementation Plan item 1.3)</i>	
4.3	Compliance with statutory and regulatory requirements.	The Asset Management Plan identifies the following regulatory requirements: <ul style="list-style-type: none"> <li>▪ Water Services Licensing Act 1995;</li> <li>▪ Environmental Protection Act 1986;</li> <li>▪ Occupational Safety and Health Act 1984; and</li> <li>▪ Occupational Safety and Health Regulations 1996.</li> </ul> The AMP also requires compliance with the Water Services Licencing Act 1995. Compliance with the regulatory requirements is being monitored by the Shire's PSO and audited as required under the operating licence by the independent auditor. The AMP needs to be updated for the reporting requirements to the Authority and the Department of Environment. <b>Recommendation:</b> <ul style="list-style-type: none"> <li>• Update the Asset Management Plan for the reporting requirements to:               <ul style="list-style-type: none"> <li>○ the Authority re performance and compliance reporting; and</li> <li>○ the Department of Environment for the annual audit compliance report due by 1st September each year..</li> </ul> </li> <li>• These dates should also be included in the Shire's corporate calendar.</li> </ul> <i>(Post Audit Implementation Plan item 1.7)</i>	
4.4	Achievement of customer service levels.	Compliance reports have been submitted for at least the past 2 years. No complaints have been received. Customer service levels are being achieved.	
<b>5</b>	<b>ASSET OPERATIONS</b>	Process Rating	B
5.1	Operational policies and procedures are documented and linked to service levels required.	Performance Rating	3
5.1		The operation of the sewerage system is split into two sections of the AMP, the reticulation system and the treatment system. The reticulation system procedures are subject to the procedures contained in the Water Corporation's OHS Manual and generic procedures whilst the treatment system procedures are subject to the Shire of Moora Employee	

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		Safety Manual Policies and Procedures.
5.2	Risk management is applied to prioritise operations tasks.	The AMP includes asset risk assessments for all components of the system. The AMP also incorporates emergency procedures on how to deal with those situations when they occur.
5.3	Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and accounting data.	<p>There was an Asset Register noted in the previous audit in 2009 that included details on:</p> <ul style="list-style-type: none"> <li>▪ Asset Number;</li> <li>▪ Description;</li> <li>▪ Dimensions/ type;</li> <li>▪ Construction materials/ model;</li> <li>▪ Construction date; and</li> <li>▪ Replacement Value</li> </ul> <p>for access chambers, pipes, treatment plant, pump station and effluent re-use.</p> <p>The assets' location was documented on the maps.</p> <p>There is no evidence that the asset register has been reviewed or updated since it was created in 2008.</p> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>• Locate and update the Asset Register of Shire assets for the sewerage scheme as part of the revision of the Asset Management Plan. This should also document the current condition assessment of the assets.</li> </ul> <p><i>(Post Audit Implementation Plan item 2.2)</i></p>
5.4	Operational costs are measured and monitored.	All asset expenditure is captured in the Shire's Financial Management Information System (FMIS). The historical cost information for the assets has not been transferred to the Asset Register but is in the FMIS.
5.5	Staff receive training commensurate with their responsibilities.	<p>The AMP does not state the resources required to operate the scheme. There has been a high turnover and vacancies in staff positions. A New Manager Health, Building and Planning Services has recently commenced at the Shire. There is no evidence of training being undertaken by staff over the audit period.</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>• Update the Asset Management Plan to include the Shire staff/contract resources and their training plans relevant to the operation of the scheme.</li> <li>• A skills matrix and annual training plan could be developed with a record of training completed being kept.</li> </ul>



Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<i>(Post Audit Implementation Plan item 2.3)</i>			
<b>6</b>	<b>ASSET MAINTENANCE</b>	Process Rating	B	Performance Rating	3
6.1	Maintenance policies and procedures are documented and linked to service levels required.	The Asset Management Plan includes a section on Maintenance Procedures This is effectively an overview of the maintenance practices.			
6.2	Regular inspections are undertaken of asset performance and condition.	The actual assets seem appropriate for the current levels of demand. Although there are no funds available to carry out any upgrading of the system, there has been quite a bit of maintenance carried out over the last 18 months.			
6.3	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	<p>The AMP includes a maintenance schedule. There was no evidence that the maintenance schedule had been performed. However, physical inspection of the assets during the audit indicated that the assets sighted are in reasonable working condition.</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>• Update the Asset Management Plan to include the Shire staff/contract resources and their training plans relevant to the maintenance of the scheme. <i>(Post Audit Implementation Plan item 2.3)</i></li> <li>• A skills matrix and annual training plan could be developed with a record of training completed being kept. <i>(Post Audit Implementation Plan item 2.3)</i></li> <li>• Based on the maintenance procedures in the revised Asset Management Plan, develop an annual maintenance schedule that is linked to the Shire works program and update the schedule for maintenance completed. <i>(Post Audit Implementation Plan item 2.4)</i></li> </ul>			
6.4	Failures are analysed and operational/maintenance plans adjusted where necessary.	Any asset failures are reviewed annually as part of the Shire's annual budget preparation.			
6.5	Risk management is applied to prioritise maintenance tasks.	The AMP includes asset risk assessments for all components of the system. The AMP also incorporates emergency procedures on how to deal with those situations when they occur.			
6.6	Maintenance costs are measured and monitored.	Maintenance costs are tracked through the FMIS and actual/budget reporting each month.			
<b>7</b>	<b>ASSET MANAGEMENT</b>	Process Rating	A	Performance Rating	1

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
<b>INFORMATION SYSTEM</b>					
7.1	Adequate system documentation for users and IT operators.	The Water Corporation manages the assets using the SAP system. This system includes operation and maintenance information, in addition to recording financial information. The system documentation is kept by the Water Corporation.			
7.2	Input controls include appropriate verification and validation of data entered into the system.	The Shire receives quarterly reports from the Water Corporation to enable the Shire to report on the sewerage scheme performance. Reliance is placed on the Water Corporation to ensure the accuracy of the data. At the Shire, the asset system is managed without the aid of a specialised computerised system.			
7.3	Logical security access controls appear adequate, such as passwords.	Access to the Shire's network requires unique user ID log on and password to prevent unauthorised access.			
7.4	Physical security access controls appear adequate.	During office hours, access to Shire office areas is restricted to Shire staff and escorted visitors. The Shire offices are locked and alarmed outside of hours.			
7.5	Data backup procedures appear adequate.	The system is regularly backed up as part of the standard IT maintenance procedures on a daily basis.			
7.6	Key computations related to licensee performance reporting are materially accurate.	There are minimal computations involved in the Shire's performance reporting. Reliance is placed on Water Corporation information.			
7.7	Management reports appear adequate for the licensee to monitor licence obligations.	In accordance with the Agreement between the Water Corporation and the Shire, the Water Corporation forwards a quarterly report to the Shire to enable a report on the performance of the wastewater treatment plant to be forwarded to the Department of Environment and Conservation annually by the Shire, as required by the Department's licence.			
<b>8</b>	<b>RISK MANAGEMENT</b>	Process Rating	A	Performance Rating	2
8.1	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	The AMP includes a risk assessment of the sewerage system. This relates to the role that the Shire plays as the owner of the system. Whilst the Water Corporation's role in the maintenance and day to day operation of the system changes the risk profile, ultimately, the Shire carries the responsibility for the system. The risk assessment will be reviewed as part of the AMP review or when system changes occur, to ensure that all risks are identified and adequately managed. The Risk Assessment is outlined in Section 3 of the AMP.			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
8.2	Risks are documented in a risk register and treatment plans are actioned and monitored.	<p>The Risk Assessment has been sighted. It could be reviewed to confirm it is still current as part of the general review and revision of the AMP.</p> <p>A Contingency Plan (overall management plans) and staff are available to deal rapidly with identified risks.</p> <p>Control measures are in place to deal with identified risks.</p>			
8.3	The probability and consequences of asset failure are regularly assessed.	<p>The Risk Assessment has been sighted. It includes the likelihood and consequences of failures of asset components.</p>			
<b>9</b>	<b>CONTINGENCY PLANNING</b>	Process Rating	B	Performance Rating	3
9.1	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	<p>A set of emergency procedures have been developed to cover situations identified in the risk assessment as having severe consequences, in spite of the risk rating listed.</p> <p>These procedures cover bushfire, electrical and pump failure, pipeline burst or blockages, tablet chlorinator failure and pond overflow. Control of situations in the event of an emergency is the responsibility of the Works Manager.</p> <p>The AMP states:</p> <p>“These plans should be tested/assessed to ensure that they are operable and that appropriate persons are aware of their responsibilities in cases of emergency.</p> <p>They also should be reviewed annually (Water Corporation currently review annually) to ensure that changes to the system or contacts are reflected. Written review of these review/assessment processes should be kept within the appendices of the AMP.”</p> <p>Although the need for the emergency procedures testing/assessment has been stated in the AMP, there is no evidence of testing and the Shire’s PSO wasn’t aware of any emergency procedures test being carried out.</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>• Review/test the contingency plans on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency. This could be a desktop review of the plan with the key participants.</li> <li>• Documented evidence of the review/test should be retained.</li> </ul> <p><i>(Post Audit Implementation Plan item 2.5)</i></p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating	B	Performance Rating	2
<b>10</b>	<b>FINANCIAL PLANNING</b>				
10.1	The financial plan states the financial objectives and strategies and actions to achieve the objectives.	The Asset Management Plan details the Capital Expenditure Plan. A sewerage reserve has been created to fund the capital expenditure. Operational and maintenance costs are covered by rates charged.			
10.2	The financial plan identifies the source of funds for capital expenditure and recurrent costs.	The Shire maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Moora Sewerage Scheme. Operational and maintenance costs are covered by rates charged.			
10.3	The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	<p>The Shire maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Sewerage Scheme.</p> <p>The Shire has a specified area rating which is applied to all properties connected or capable of being connected to the sewerage scheme in the Moora town site. The purpose of this rate is to offset the cost of the sewerage treatment, including operation, maintenance, administration, depreciation and loan repayments.</p> <p>The financial report for 2010/11 shows the rates of \$550,443 covered the operating and maintenance expenditure of \$301,153</p>			
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	The AMP includes revenue predictions for the 5 years from 2007/08 and are therefore out-of-date. Refer recommendation in 10.5.			
10.5	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	<p>The sewerage reserve had a balance of \$114,668 at 30 June 2011 after a transfer in of \$8,823 for the year.</p> <p>The AMP in 2008 forecast a balance of \$190,134 in the sewerage reserve at 30 June 2011. Although the reserve has less funds, there is an annual surplus from the rates less operating/maintenance expenditure of approximately \$250,000 that could be used for capital expenditure.</p> <p>The AMP has not been reviewed or updated since it was issued in 2008. The Shire intends to revise the plan by July 2012. For example, the AMP forecast operating and maintenance expenditure of \$170,435 for 2010/11 but the actual expenditure was \$301,153.</p> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>The financial data in the Asset Management Plan is out-of-date and needs to be revised.</li> </ul>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		(Post Audit Implementation Plan item 2.1)			
10.6	Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.	Variations in actual and budget income and expenses are identified in monthly reports. Monthly reports are reviewed and any significant variances actioned by management and the Council.			
<b>11</b>	<b>CAPITAL EXPENDITURE PLANNING</b>	Process Rating	B	Performance Rating	2
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	The AMP has a capital expenditure plan.			
11.2	The plan provides reasons for capital expenditure and timing of expenditure.	The analysis assumes that assets will be replaced at the end of their standard economic life.			
11.3	The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.	The capital expenditure plan would appear to be consistent with the estimated replacement year. In reality some assets will fail earlier than the standard life and some assets will remain useful beyond the standard replacement life.			
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	There is a process to review and update the financial plan in the Asset Management Plan each year as part of the annual budget preparation. The capital expenditure needs of the scheme are reviewed as part of the annual budget preparation although the figures in the AMP are out-of-date. Refer recommendation in 10.5.			
<b>12</b>	<b>REVIEW OF ASSET MANAGEMENT SYSTEM</b>	Process Rating	A	Performance Rating	3
12.1	A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.	<p>The AMP contains a section on System Review that requires internal review and update of the AMP to be carried out each year, following the completion of the budget for the following year. Items to be updated include the capital expenditure plan, financial plan and asset register. The Asset Management Plan (and system) have not been reviewed or updated since it was issued in 2008. The Shire intends to revise the plan by July 2012.</p> <p>The audit also noted the requirement to notify any changes to the system to the Authority is not stated in the AMP's review procedures.</p> <p>The AMP contains a Document /Report Control Form that outlines the revision number, the author, the reviewer, and</p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<p>who approved the AMP for issue and when. The table notes that the AMP was approved for issue on 2/7/2008. There were no further revisions carried out. The users of the AMP could benefit from a brief description of changes to the document from the previous version.</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>• Review and update the Asset Management Plan (including data in the asset management system). <i>(Post Audit Implementation Plan item 2.6)</i></li> <li>• Update the Asset Management Plan - Monitoring and Review Procedures section for the requirement to notify the Authority of any changes to the asset management system within 10 business days. <i>(Post Audit Implementation Plan item 1.5)</i></li> <li>• Modify the "Document Status" table to include a brief description of changes to the document from the previous version. <i>(Post Audit Implementation Plan item 2.6)</i></li> </ul>
12.2	Independent reviews (e.g. internal audit) are performed of the asset management system.	An independent review is performed every 3 years as required by the licence.

## 4.4 Conclusion

The review of the Asset Management System has shown that the processes were reasonably well-defined when the Asset Management Plan was developed in 2008 but there is a lack of evidence of the planned procedures being applied in practice.

Due to consistent staff turnover there has been no real continuity of management or record-keeping, although some records appear to be satisfactory and present, they are not in any cohesive state.

Currently, the Asset Management System does not meet the requirements of an effective asset management system being the framework of policies, plans, procedures and asset management information system.

The new Manager Health, Building and Planning Services who was present at this audit, is planning to bring the asset management system and records into a well-managed and workable state.

The review confirmed that the four recommendations in the previous review report dated March 2009 are still outstanding.

The outstanding audit recommendations are:

- The Asset Management Plan has not been updated for the current operating licence from the Authority;
- Contingency plans have not been tested;
- Maintenance resources need to be assessed; and
- Other sections of the Asset Management Plan need to be updated.

The following new issues were noted:

- The Asset Register has not been reviewed or updated since it was created in 2008, including the annual assessment of the condition of assets;
- The human resources need to support the scheme and their training needs are not stated in the Asset Management Plan; and
- The audit was unable to locate any evidence of maintenance plans per the Asset Management Plan being implemented.

The review recommended that the Shire:

- Review and revise the Asset Management Plan including the requirements of the current operating licence and the financial information.
- Review and update the Asset Register including the annual assessment of the condition of assets;
- Update the Asset Management Plan for the human resources to support the scheme and their training needs;
- Based on the asset maintenance procedures in the Asset Management Plan, develop and implement an annual maintenance schedule;
- Review/test the contingency plans on an annual basis; and
- A minor improvement is to include a summary of changes in the document history in the Asset Management Plan.

From physical observation, the scheme's assets appear to be well-maintained and staff appear to be aware of the operational and maintenance requirements. However, the asset management system is not being adequately maintained.

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



## Appendix A: Post Audit Implementation Plan

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
<b>1</b>	<b>Operational Audit</b>				
1.1 (item 3 and 48)	<p><b>Asset Management System – Contracting</b></p> <p>The audit confirmed that the asset management system in respect to the licensed activity is in place.</p> <p>The Shire has contracted some aspects of managing the sewerage scheme to the Water Corporation. However, Schedule 2 of the Agreement between the Water Corporation and the Shire of Moora for the operation and maintenance of the Moora sewerage system hasn't been updated for the requirement to operate and maintain the Shire's sewerage scheme in accordance with the Water Services Operating Licence.</p> <p>The Agreement only requires operating and maintaining the Shire's sewerage scheme in accordance with the requirements of the Department of Environment.</p> <p>Also, Schedule 2 of the Agreement hasn't been updated for the Shire's responsibility to report on performance. The Agreement only states that "the Water Corporation is only responsible for periodic collection and collation of data on operation, maintenance and performance of the Moora sewerage scheme". The Water Corporation</p>	Medium	a) Update Schedule 2 of the Agreement between the Water Corporation and the Shire of Moora for the requirement that the Water Corporation will operate and maintain the Shire's sewerage scheme in accordance with the Water Services Operating Licence.	Process set in motion to put out a tender at Water Corporation request setting out conditions for which compliance is required. The wording of the tender is being formulated to ensure compliance requirements. After which, tenders will be accepted. Water Corporation has advised that no disruption to service will occur in the meantime, whilst this process is being carried out.	Manager Health, Building & Planning Services (MHB&PS) 31 <sup>st</sup> July 2012

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	<p>forwards quarterly reports to the Shire to enable the Shire to report on the sewerage scheme performance to the Department of Environment.. The Agreement does not specify the requirement re reporting to the Authority under the Water services Operating Licence.</p> <p>Also, the Asset Management Plan has not been updated for the contracting arrangement and the contractual responsibilities.</p>				
<p>1.2 (items 5, 6, 20, 21 and 44)</p>	<p><b>Compliance Schedule</b></p> <p>The Shire advised that any dates that require action are now being entered in to the corporate Microsoft Outlook calendar.</p> <p>The audit reviewed the Shire's corporate calendar and noted that the calendar does not include all of the regulatory requirements, including:</p> <ul style="list-style-type: none"> <li>• Asset Management System Review due date;</li> <li>• Operational Audit due date;</li> <li>• Annual notification to customers of the availability of the Customer Service Charter;</li> <li>• Three yearly review of the Customer Service Charter; and</li> <li>• Notification to the Authority of changes to the asset management system.</li> </ul>	<p>Medium</p>	<p>Note the required timeframes for the following in the Shire's corporate calendar to ensure regulatory timeframes are met:</p> <ul style="list-style-type: none"> <li>• Asset Management System Review (external);</li> <li>• Operational Audit (external);</li> <li>• Annual notification to customers of the availability of the Customer Service Charter;</li> <li>• Three yearly review of the Customer Service Charter; and</li> <li>• Annual internal review of the asset management system (ie AMP and supporting policies and procedures).</li> </ul>	<p>Corporate calendar is in the process of being updated</p>	<p>MHB&amp;PS Completed.</p>

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
			<ul style="list-style-type: none"> <li>Changes to asset management system to be notified to the Authority within 10 business days.</li> </ul>		
1.3 (item 7)	<p><b>Service and Performance Standards</b></p> <p>The licensee must comply with the performance standards set out in Schedule 4.</p> <p>The audit reviewed the Shire's Performance Reports for the years ended 30 June 2010 and 2011 and noted that the Shire complied with all performance standards except for the requirement to have fewer than 40 blockages per 100km of sewer main per year as follows:</p> <ul style="list-style-type: none"> <li>In the year ended 30 June 2010, the Shire reported 24 sewer blockages, which represents a figure of 139.3 blockages per 100km of sewer main; and</li> <li>In the year ended 30 June 2011, the Shire reported 9 sewer blockages, which represents a figure of 56.3 blockages per 100km of sewer main.</li> </ul> <p>The Shire was unable to locate the Performance Report for the year ended 30 June 2009. Information from the Authority is that the performance standards were not met for the year ended 30 June 2009 as follows</p>	Medium	<p>a) Ensure compliance with the prescribed performance standards for sewerage blockages.</p> <p>b) Conduct further visual inspections of the sewer lines with a history of blockages and arrange clearance as necessary.</p>	<p>The Shire of Moora will endeavour to ensure that pathways are incorporated into the agreement developed with the Water Corporation or another maintenance authority who will be in charge of maintaining the sewer system.</p> <p>The agreement will include performance indicators and regular meetings between the Shire and the contractor (at least quarterly) to review any performance issues.</p>	<p>MHB&amp;PS 31<sup>st</sup> July 2012</p>

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	<ul style="list-style-type: none"> <li>In the year ended 30 June 2009, the Shire reported 1 sewer blockages, which represents a figure of 63.8 blockages per 100km of sewer main.</li> </ul> <p>The Shire recently conducted a visual investigation (camera) of the main sewer to identify sewer damage which has since been repaired, but it is considered that the sewer is not in immediate need for repair.</p>				
1.4 (item 8)	<p><b>Payment of Fees</b></p> <p>The Shire's Department of Environment licence No. 5214 will expire on the 5<sup>th</sup> October 2013.</p> <p>Previously, a late application fee was incurred due to the licence renewal application being overdue.</p> <p>The audit reviewed the compliance schedule of dates in the Shire's corporate calendar and noted that the date required for the licence renewal application, being at least 70 days before the expiry of the existing licence, is not included in the schedule of events.</p>	Low	Update the compliance schedule of dates in the Shire's corporate calendar to include the Department of Environment licence renewal application due date, being at least 70 days before the expiry of the existing licence.	Completed	MHB&PS
1.5 (Item 44)	<p><b>Notify Changes to Asset Management System</b></p> <p>A new Asset Management Plan (AMP) was issued in March 2011. Although, the Legislative Requirements section of the AMP refers to the requirement to notify any changes to the system to the Authority, the required timeframe of 10 business days is not specified.</p>	Low	Update the Asset Management Plan - Monitoring and Review Procedures section for the requirement to notify the Authority of any changes to the asset management system within 10 business days.	Steps are underway currently to update the Asset Management Plan and to include procedures for Monitoring and Review to ensure that Authority is notified within	MHB&PS 31 <sup>st</sup> July 2012

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
				10 business days	
1.6 (item 48)	<p><b>Compliance and Performance Reporting</b></p> <p>In accordance with the Water Compliance Reporting Manual May 2011, the Shire is required to submit to the Authority:</p> <ul style="list-style-type: none"> <li>• Annual performance reports no later than 31 July for the reporting year ending 30 June; and</li> <li>• Annual compliance reports by 31 August for the year ending 30 June.</li> </ul> <p>The audit reviewed the Shire's Compliance and Performance Reports for the years ending 30 June 2010 and 2011 and noted the following exceptions:</p> <ul style="list-style-type: none"> <li>• Performance and Compliance Reports for the year ended 30 June 2010 were submitted after the due date. Moreover, these non-compliances were omitted in the subsequent Compliance Report; and</li> <li>• The Shire was not able to locate the Performance and Compliance Reports for the year ended 30 June 2009. The Authority advised that the 2009 Performance and Compliance reports were submitted after the due dates.;</li> <li>• The Shire could not provide any evidence that the Performance and Compliance Reports for the year ended 30 June 2011 were submitted</li> </ul>	Medium	<p>a) The Shire should ensure that all future Performance and Compliance Reports are submitted to the Authority within the timeframes required.</p> <p>b) Update the compliance schedule of dates in the Shire's corporate calendar to include the annual Performance and Compliance Reports submission dates.</p> <p>c) Keep track of all non-compliances with the licence obligations so that all future Compliance Reports include all non-compliances with the licence obligations.</p> <p>d) Create documentation to explain where and how to source the required information; and file and keep copies of the source information together with a copy of the Schedule 3 Annual Performance Report to allow easier checking of the validity of the results.</p> <p>e) Properly file all correspondence between the Shire and the Authority in a Water Licence</p>	<p>(a) and (b) - Corporate Calendar updated.</p> <p>Non Compliance table to be developed.</p> <p>Documented procedure to be developed.</p> <p>Filing to be set up.</p>	<p>MHB&amp;PS Completed</p> <p>MHB&amp;PS 31<sup>st</sup> July 2012</p> <p>MHB&amp;PS 31<sup>st</sup> July 2012</p> <p>MHB&amp;PS 31<sup>st</sup> July 2012</p>

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	to the Authority by the due date. Also, the documentation explaining where and how to source the required information for all reporting has not yet been created.		hardcopy file.		
1.7 (item 48)	<p><b>Update of Asset Management Plan for Information Reporting Requirements</b></p> <p>The Reporting Requirements section of the Asset Management Plan (AMP) outlines only the reporting requirements of the Shire to the Department of Environment.</p> <p>The AMP hasn't been updated for the reporting requirements to the Authority under the Water Services Operating Licence.</p> <p>Also, although the G2 requirement of the licence to provide an annual monitoring report is included in the Reporting Requirements section of the AMP, the G3 requirement to provide an annual audit compliance report by 1<sup>st</sup> September each year is not included.</p>	Low	<p>Update the Asset Management Plan for the reporting requirements to:</p> <ul style="list-style-type: none"> <li>the Authority re performance and compliance reporting; and</li> <li>the Department of Environment for the annual audit compliance report due by 1st September each year..</li> </ul> <p>These dates should also be included in the Shire's corporate calendar.</p>	<p>Corporate calendar updated to include reporting requirements.</p> <p>Asset Management Plan to be updated.</p>	<p>MHB&amp;PS</p> <p>31<sup>st</sup> July 2012</p>
<b>2</b>	<b>Asset Management System Review</b>				
2.1	<p><b>Asset Planning</b></p> <p>The Asset Management Plan should be reviewed and updated on an annual basis with major revisions every 5 years.</p> <p>The Asset Management Plan has not been reviewed or updated since it was issued in 2008.</p>	High	<p>Review and revise the Asset Management Plan as soon as possible, and then on an annual basis, including:</p> <p>a) the requirements of the current operating licence;</p>	<p>Shire Asset Management Plan to be reviewed and changes incorporated to reflect the current operating licence and other changes suggested including annual review</p>	<p>MHB&amp;PS</p> <p>31<sup>st</sup> July 2012</p>

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	<p>The Shire intends to revise the plan by July 2012.</p> <p>For example, the requirements of the current operating licence issued in May 2009 are not stated. Also, the financial information is out-of date.</p> <p>Also, the assets are considered appropriate for the current levels of demand although nearing capacity (current observation during the audit). Demand forecast in the 2008 AMP have not been updated.</p>		<p>b) financial information; and</p> <p>c) data in the asset management system; and</p> <p>d) forecast demand over the life of the scheme's assets.</p>	thereafter.	
2.2	<p><b>Asset Operations - Asset Register</b></p> <p>Assets should be documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and accounting data.</p> <p>There was an Asset Register noted in the previous audit in 2009 that included details on:</p> <ul style="list-style-type: none"> <li>▪ Asset Number;</li> <li>▪ Description;</li> <li>▪ Dimensions/ type;</li> <li>▪ Construction materials/ model;</li> <li>▪ Construction date; and</li> <li>▪ Replacement Value</li> </ul> <p>for access chambers, pipes, treatment plant, pump station and effluent re-use.</p> <p>The assets' location was documented on the maps.</p> <p>There is no evidence that the asset register has been reviewed or updated since it was created in</p>	Medium	Locate and update the Asset Register of Shire assets for the sewerage scheme as part of the revision of the Asset Management Plan. This should also document the current condition assessment of the assets.	The Shire will liaise with the Water Corporation to check against the current asset register. This has since been located and will be updated	MHB&PS 31 <sup>st</sup> July 2012

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	2008.				
2.3	<p><b>Asset Operations and Maintenance – Resources and Training</b></p> <p>Asset Operations and Maintenance need to be adequately resourced and staff should receive training commensurate with their responsibilities.</p> <p>The AMP does not state the resources required to operate the scheme. There has been a high turnover and vacancies in staff positions. A New Manager Health, Building and Planning Services has recently commenced at the Shire.</p> <p>There is no evidence of training being undertaken by staff over the audit period.</p>	Medium	<p>a) Update the Asset Management Plan to include the Shire staff resources for the scheme and their training plans relevant to the operation and maintenance of the scheme.</p> <p>b) A skills matrix and annual training plan could be developed with a record of training completed being kept.</p>	<p>Resourcing will be considered in the updating of the AMP and the tender for contract assistance.</p> <p>It is anticipated that training relates to the necessary skills of the people carrying out the maintenance work of the sewerage equipment.</p> <p>Training needs of Shire staff will be considered in updating the AMP.</p> <p>Once a tender has been accepted a requirement of the contractor will be to provide a skills analysis of employees engaged in maintenance work.</p>	<p>MHB&amp;PS 31<sup>st</sup> July 2012</p>
2.4	<p><b>Asset Maintenance</b></p> <p>Maintenance plans (emergency, corrective and preventative) should be documented and completed on schedule.</p> <p>The AMP includes a maintenance schedule. There was no evidence that the maintenance schedule</p>	Medium	Based on the maintenance procedures in the revised Asset Management Plan, develop an annual maintenance schedule that is linked to the Shire works program and update the schedule for maintenance completed.	Once the tender has been let an annual maintenance program will be developed	<p>MHB&amp;PS 31<sup>st</sup> July 2012</p>



No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	had been performed. However, physical inspection of the assets during the audit indicated that the assets are in reasonable working condition.				
2.5	<p><b>Contingency Planning</b></p> <p>A set of emergency procedures have been developed to cover situations identified in the risk assessment as having severe consequences, in spite of the risk rating listed.</p> <p>The AMP states: "these plans should be tested/assessed to ensure that they are operable and that appropriate persons are aware of their responsibilities in cases of emergency.</p> <p>They also should be reviewed annually (Water Corporation currently review annually) to ensure that changes to the system or contacts are reflected. Written review of these review/assessment processes should be kept within the appendices of the AMP."</p> <p>Although the need for the emergency procedures testing/assessment has been stated in the AMP, there is no evidence of testing and the Shire's PSO wasn't aware of any emergency procedures test being carried out.</p>	Medium	<p>a) Review/test the contingency plans on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency. This could be a desktop review of the plan with the key participants.</p> <p>b) Documented evidence of the review/test should be retained.</p>	<p>A risk management plan will be developed if it has not already been done and all documentary evidence will be retained</p> <p>An annual review/test of the contingency plan will be noted in the AMP. Notes of meeting/test to be retained on the water licencing file.</p>	<p>MHB&amp;PS 31<sup>st</sup> July 2012</p> <p>MHB&amp;PS Review/test of contingency plan by 30<sup>th</sup> April 2013.</p>

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
2.6	<p><b>Review of Asset Management Plan – Document Status</b></p> <p>The AMP contains a Document /Report Control Form that outlines the revision number, the author, the reviewer, and who approved the AMP for issue and when. The table notes that the AMP was approved for issue on 2/7/2008. There were no further revisions carried out. The users of the AMP could benefit from a brief description of changes to the document from the previous version.</p>	Low	Modify the “Document Status” table to include a brief description of changes to the document from the previous version	A document status table will be developed as required	MHB&PS 31 <sup>st</sup> July 2012

END OF REPORT