



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

Operational Audit and
Asset Management
System Review

Final Report

July 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 | 16 |
| 3.3 Audit Results and Recommendations..... | 21 |
| 3.4 Recommended Changes to the Licence..... | 37 |
| 3.5 Conclusion..... | 37 |
| 4. Asset Management System Review..... | 40 |
| 4.1 Summary of Asset Management System Ratings | 41 |
| 4.2 Previous Review Recommendations | 42 |
| 4.3 Review Results and Recommendations | 45 |
| 4.4 Conclusion..... | 56 |
| Appendix A: Post Audit Implementation Plan | 57 |

Quantum Management Consulting and Assurance

ABN 83 083 848 168 Liability limited by a scheme approved under Professional Services Legislation

Level 28 AMP Tower, 140 St Georges Terrace, Perth **M.** PO Box 6882, East Perth WA 6892

T. 08 9278 2570 **F.** 08 9278 2571

E. mail@quantumassurance.com.au **W.** www.quantumassurance.com.au

Executive Summary

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

The sewerage scheme operated by the Shire of Kent was established in 1974. In 2009, the Nyabing ponds were increased in capacity from 700 m³ to 3,683 m³. Through the scheme, wastewater is collected and treated each year. Effluent is not re-used at all within the Shires area. The scheme consists of sewerage pipe reticulation, two pumping stations and three waste treatment ponds in Nyabing and one waste treatment pond in Pingrup, serving approximately 100 properties and a population of 220 persons.

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

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

OPERATIONAL AUDIT

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

- Not complying with the requirement to have fewer than 40 blockages per 100km of sewer main per year in the year ended 30 June 2009 (minor breach as there were only two blockages);
- Not notifying the Authority of significant changes to the asset management system within 10 business days of the change;
- Not prominently displaying the Customer Service Charter at the Shire's Reception; and
- Performance and compliance reports were not always submitted by the due dates, and late reports are not being included as non-compliances in the compliance reporting to the Authority.

The audit reviewed the action taken on previous audit recommendations in the audit report dated October 2009 and confirmed that out of eight recommendations, six have been completed and two are partly completed. This demonstrates that there has been an improvement in compliance with the licence conditions. The outstanding issues are:

- The Shire's Asset Management Plan was reviewed in September 2009 but some parts were not updated. The complete system of plans, policies and procedures and the asset management information system has not been reviewed; and
- There is no asset management information system although a database is being set up and populated, including the planned operations and maintenance programme.

Another opportunity for improvement was noted as follows:

- Although due dates for regulatory reporting and advice to the Authority are included in the CEO's diary in Microsoft Outlook, there is no Compliance Schedule as a complete record of due dates and obligations for reviews, notifications and reporting to comply with the licence obligations.

The audit recommended that the Shire:

- Complete setting up and populating the database (Excel spreadsheets) for the asset management information system;
- Document the compliance activities, responsibilities and due dates in a Compliance Schedule;
- Ensure compliance with the prescribed standards for sewerage blockages;
- Increase accessibility of the Customer Service Charter to customers;
- Update the Asset Management Plan and note in the Compliance Schedule, the requirement to notify the Authority of any changes to the asset management system within 10 business days; and
- Ensure that performance and compliance reports are submitted to the Authority by the due dates and that compliance reports include all non-compliances; and

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

Overall, there is an adequate control environment to ensure that the licence obligations are met.

ASSET MANAGEMENT SYSTEM REVIEW

The review of the Asset Management System has shown that the assets appear to be well-maintained by experienced staff. However, the current asset management system (comprising the plans, policies, procedures and database) is not adequately defined and implemented to ensure the ongoing effective operation of the scheme, particularly if staff changes occur. The system is currently being upgraded to address these issues.

The review confirmed that out of six recommendations in the previous review report dated October 2009, three have been implemented and three are partly completed

The partly completed recommendations are:

- The asset management information system has not yet been revised for the new Nyabing ponds;
- The Shire's procedures for the periodic inspection and maintenance of assets have not yet been included in the asset management information system; and
- The asset management information system is currently being populated.

The following issues were identified in this review:

- The Asset Management Plan (AMP) has not been updated for income and expenditure projections beyond 2007/08;
- The AMP has not been updated since 2009 and parts of the plan were not updated at that time and are out-of-date;
- The AMP does not include any formal risk assessment process and there is no detailed risks register listing risks and mitigation and treatment plans;
- There are no detailed contingency plans for failure of assets or risk events such as overflow of the ponds; and no evidence of testing; and
- The AMP does not include any review procedures and summary of changes made.

The review recommended that the Shire:

- Update the financial data on income and expenditure to provide projections for the next five years;

- Review the AMP on an annual basis with major revisions at least every five years or if major changes occur;
- Update the AMP for the operating licence issued in 2009 and the registration of the Nyabing pond with the Department of Environment;
- Complete the updating of the asset management information system;
- Include the maintenance procedures in the asset management information system with a record of their completion;
- Develop detailed contingency plans and review/test these on an annual basis;
- Include in the AMP a procedure for annual review of the plan and provide a summary of changes in a document history section.

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 Kent.

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

Audit Opinion

Report on the Operational Audit of the Water Services Operating Licence

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

Respective Responsibilities

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

Limitations

This report was prepared for distribution to the Shire of Kent 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 Kent has complied, in all material respects, with the performance and quality standards and obligations of the Water Services Operating Licence for the period from 1st December 2008 to 30th November 2011 with the exception of:

- Not complying with the requirement to have fewer than 40 blockages per 100km of sewer main per year in the year ended 30 June 2009 (minor breach as there were only two blockages);
- Not notifying the Authority of significant changes to the asset management system within 10 business days of the change;
- Not prominently displaying the Customer Service Charter at the Shire's Reception; and

- Performance and compliance reports were not always submitted by the due dates, and late reports are not being included as non-compliances in the compliance reporting to the Authority;
- There is no asset management information system although this is currently being set up and populated; and
- The asset management system is inadequate in respect of risk management, contingency planning and review of the 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
DIRECTOR

PERTH, WA
30 JULY 2012

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

Operational Audit and
Asset Management
System Review
- Introduction

Final Report

July 2012

1. Background

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

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

The sewerage scheme operated by the Shire of Kent was established in 1974. In 2009, the Nyabing ponds were increased in capacity from 700 m³ to 3,683 m³. Through the scheme, wastewater is collected and treated each year. Effluent is not re-used at all within the Shires area.

The scheme consists of sewerage pipe reticulation, two pumping stations and three waste treatment ponds in Nyabing and one waste treatment pond in Pingrup, serving approximately 100 properties and a population of 220 persons.

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

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

2. Methodology

2.1 Objectives and Scope

2.1.1 Operational Audit

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

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

The scope of the audit covered the following:

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

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

2.1.2 Asset Management System Review

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

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

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

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

2.2 Audit Period and Timing

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

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

2.3 Licensee's Representatives Participating in the Audit

- Peter Bentley – Chief Executive Officer (CEO)
- Dave Long – Works Manager

2.4 Key Documents Examined

- Shire of Kent Water Services Operating Licence 20 Version OL2 dated 15 May 2009
- Audit Report - Shire of Kent 2008 Water Licence Operational Audit and Asset Management Review dated October 2009
- Post Audit Implementation Plan - Shire of Kent 2008 Water Licence Operational Audit and Asset Management Review dated October 2009
- Shire of Kent Customer Service Charter for Wastewater Services (reviewed October 2009)
- Shire of Kent Annual Report for the year ending 30 June 2011
- Asset Management Plan for Shire of Kent Sewerage Scheme (reviewed September 2009)
- Performance Reports to the Authority for the years ended 30 June 2009, 2010 and 2011
- Compliance Reports to the Authority for the years ended 30 June 2009, 2010 and 2011
- Shire of Kent Complaints Register
- Correspondence between the Shire and the Authority
- Kent Operating Area (Sewerage and Non-potable water supply services) Plan No. OWR-OA-038 (Nyabing)
- Kent Operating Area (Sewerage and Non-potable water supply services) Plan No. OWR-OA-039 (Pingrup)
- Shire of Kent 2011/2012 Budget
- Forward Capital Works Plan 2010-11 to 2014-15
- Maintenance Schedule (August 2009)
- Annual Budget 2011/12.

2.5 Operational Audit - Compliance Ratings

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

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

2.6 Asset Management System Review - Effectiveness Ratings

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

Asset management process and policy definition - Adequacy ratings

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

Asset management process - Performance ratings

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

2.7 Audit Team and Hours

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

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

Operational Audit –
Detailed Report

Final Report

July 2012

3. Operational Audit

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

3.1 Summary of Compliance Ratings

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

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

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

| No. 1 | Operating Licence Compliance Element | Operating Licence reference (Cl.=clause, Sch.=schedule) | Consequence (1=minor, 2=moderate, 3=major) | Likelihood (A=likely, B=probable, C=unlikely) | Inherent Risk (Low, Medium, High) | Adequacy of existing controls (S=strong, M=moderate, W=weak) | Compliance Rating (1=significantly non-compliant , 2=non-compliant, 3 =compliant, 4 = compliant, 5=compliant, N/A = not applicable, N/R = not rated) | | | | | | | | |
|----------|---|--|---|---|--------------------------------------|--|--|---|---|---|---|-----|-----|---|---|
| | | | | | | | 1 | 2 | 3 | 4 | 5 | N/A | N/R | | |
| | | Cl.3.7 | | | | | | | | | | | | | |
| 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 | Weak | | ✓ | | | | | | | |
| 21 | Charter reviewed every 3 years | Sch.3 Cl. 2.6 | 2 | C | Low | Moderate | | | | ✓ | | | | | |
| 22 | Services consistent with Charter | Sch.3 Cl. 2.7 | 2 | C | Medium | Strong | | | | | | ✓ | | | |
| 23 | Customer consultation process | Cl. 8 | 2 | C | Medium | Strong | | | | | | ✓ | | | |
| 24 | Customer Council or at least two other forums | Sch.3 Cl. 4.1 | 2 | C | Medium | Strong | | | | | | ✓ | | | |
| 25 | Consult the Authority on type and extent of customer consultation | Sch.3 Cl. 4.2 | 2 | C | Medium | Strong | | | | | | ✓ | | | |
| 26 | If requested, establish other forums | Sch.3 Cl. 4.3 | 2 | C | Medium | Strong | | | | | | | | | ✓ |
| 27 | <i>Not applicable (only applies to irrigation licences)</i> | Sch.3 Cl. 4.4 | N/A | N/A | N/A | N/A | | | | | | | | ✓ | |
| 28 | Customer consultation prior to major changes | Sch.3 Cl. 4.5 | 2 | B | Medium | Strong | | | | | | | | | ✓ |
| 29 | Council public question time | Sch. 3 Cl. 4.6 | 2 | B | Medium | Strong | | | | | | ✓ | | | |
| 30 | Modified customer agreements | Sch. 3 Cl. 5.1 | 2 | B | Medium | Strong | | | | | | | | | ✓ |
| 31 | Annual report of non-standard agreements | Sch. 3 Cl. 5.4 | 2 | B | Medium | Strong | | | | | | | | | ✓ |
| 32 | Customer survey, if directed by Authority | Sch. 3 Cl. 6 | 2 | C | Medium | Strong | | | | | | | | | ✓ |
| 33 to 40 | <i>Not applicable (only applies to potable water licences)</i> | Cl. 9 | N/A | N/A | N/A | N/A | | | | | | | | ✓ | |
| 41 | Compliance with accounting standards | Cl. 15.1 | 1 | C | Medium | Strong | | | | | | | ✓ | | |
| 42 | Compliance with Operational Audit Guidelines | Cl. 16.2 | 1 | C | Medium | Strong | | | | | | | ✓ | | |
| 43 | Initial notification of asset management system (AMS) on licence commencement | Cl. 17.1 | 2 | C | Low | Strong | | | | | | | ✓ | | |
| 44 | Notify Authority of changes to AMS within 10 business days | Cl. 17.2 | 1 | C | Low | Weak | | ✓ | | | | | | | |
| 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 | Moderate | | | | | | | ✓ | | |
| 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 | | | | | | | ✓ | | |

| No. 1 | Operating Licence Compliance Element | Operating Licence reference (Cl.=clause, Sch.=schedule) | Consequence (1=minor, 2=moderate, 3=major) | Likelihood (A=likely, B=probable, C=unlikely) | Inherent Risk (Low, Medium, High) | Adequacy of existing controls (S=strong, M=moderate, W=weak) | Compliance Rating (1=significantly non-compliant , 2=non-compliant, 3 =compliant, 4 = compliant, 5=compliant, N/A = not applicable, N/R = not rated) | | | | | | | |
|----------|---|--|---|---|--------------------------------------|--|--|---|---|---|---|-----|-----|---|
| | | | | | | | 1 | 2 | 3 | 4 | 5 | N/A | N/R | |
| - | 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 October 2009 is summarised below.

| Item | Licence Condition | Previous Audit Findings | Prev. Comp. Rating | Recommended Corrective Actions | Post Audit Action Plan | Action Taken | Status |
|-----------------|---|--|--------------------|--|--|---|------------------|
| 1.1 (item 3) | Asset Management System – Cl. 17.1 The Licensee must have an Asset Management System in respect to the licensed activity. | While it is evident that maintenance is occurring and there is a maintenance schedule within the Asset Management plan, there are no details on what level of maintenance was carried out. | 4 | Maintenance recording and programming system be set up and utilised. | <i>CEO, Works Manager</i> <i>30 November 2009</i> | Maintenance is covered in a basic manner in the Asset Management Plan (AMP). The long term Shire staff have an excellent knowledge of the scheme's requirements and carry out maintenance in an effective manner. The Asset Management System is currently managed without the aid of a computerised system. However a database is being set up and populated for use, including the Planned Operations and Maintenance Programme. <i>(Post Audit Implementation Plan item 1.1)</i> | PARTLY COMPLETED |
| 1.2 | Reviews of the Asset | It was evident that there have been no reviews on | 2 | Conduct a review of the asset management | <i>CEO, Works</i> | The Shire's Asset Management Plan was | PARTLY |

| Item | Licence Condition | Previous Audit Findings | Prev. Comp. Rating | Recommended Corrective Actions | Post Audit Action Plan | Action Taken | Status |
|------------------|--|---|--------------------|--|--|---|-----------|
| | Management System | the asset management system during the previous audit period. The reviews must be carried out to ensure that the current system is still working for the Shire of Kent and to ensure that it is being utilised correctly. | | system. | <i>Manager</i> <i>30 November 2009</i> | reviewed in September 2009 but some parts were not updated. The complete system of plans, policies and procedures and the asset management information system have not been reviewed. <i>(Post Audit Implementation Plan item 1.1)</i> | COMPLETED |
| 1.3 (item 48) | Provision of Information – Cl. 21.2 The licensee must comply with the information reporting requirements as set out in Schedule 5. | The Shire of Kent provided the Schedule 3 report however the report was received on the 17 th August 2007. This is beyond the allowed 30 days past the end of financial year. | 2 | Apply changes to the reporting systems to ensure all reports are delivered on time. Perhaps a reminder system within Microsoft Outlook that warns the Shire of Kent of upcoming deadlines. | <i>CEO, Works Manager</i> <i>30 November 2009</i> | Any dates that require action are now being entered into the CEO's diary program in Microsoft Outlook, that is being shared with the Deputy CEO. However, it is recommended the Shire develops a Compliance Schedule on the hardcopy file to ensure regulatory timeframes are met. <i>(Post Audit Implementation Plan item 1.2)</i> | COMPLETED |
| 1.4 | Obligations to public authorities and other | The Shire of Kent currently does not hold a | 2 | Ensure that once the construction of the | <i>CEO</i> | The Shire's CEO confirmed with DEC | COMPLETED |

| Item | Licence Condition | Previous Audit Findings | Prev. Comp. Rating | Recommended Corrective Actions | Post Audit Action Plan | Action Taken | Status |
|------------------|--|---|--------------------|---|---|---|-----------|
| (n/a) | Licensees | licence for the Nyabing ponds. The upgrades being made to the Nyabing ponds are a result of an audit done by the Department of Environment (DEC). These upgrades will bring the ponds up to and beyond the requirements of the DoE. | | ponds is complete that the Shire of Kent applies for a new licence for the operation of the Nyabing ponds. | <i>On completion of construction of the new ponds in Nyabing.</i> | that the Nyabing ponds are registered under the Environmental Protection Regulations 1987 and the Shire's details are kept on the DEC register. The DEC has confirmed the registration. | |
| 1.5 (item 13) | Customer Complaints - Sch.3, Cl.3.0(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. | Although there are no officers that are specifically allocated to do this, the CEO, Deputy CEO and the Works Manager are able to satisfy this condition. | 4 | Officially allocate the personnel that can deal with complaints. This should be outlined within the customer charter. | CEO <i>30 November 2009</i> | The audit confirmed with the Shire's CEO that there were no sewerage related customer complaints received by the Shire over the audit period. The Customer Service Charter for Wastewater Services (reviewed October 2009) outlines the process for enquiries, suggestions, complaints and disputes. The Shire's CEO is authorised to make any decisions to settle customer complaints or disputes. | COMPLETED |

| Item | Licence Condition | Previous Audit Findings | Prev. Comp. Rating | Recommended Corrective Actions | Post Audit Action Plan | Action Taken | Status |
|------------------|---|---|--------------------|--|--------------------------------|--|-----------|
| 1.6 (item 6) | Operational Audit – Cl.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. | Operational audit conducted on site 29/7/2009. This is late and non-compliant with the Authority's requirements. | 3 | Ensure the next audit is completed and submitted to the Authority as required in the guideline and license. | CEO <i>next audit</i> | The Operational Audit is now being undertaken. | COMPLETED |
| 1.7 (item 14) | Customer Complaints – Sch.3, Cl.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. | The Shire has a system in place for recording and managing customer complaints however there are no systems in place to ensure the customer's complaint is dealt with in the required time frame. | 5 | The Shire of Kent should set up a complaints system that ensures customer complaints are resolved within the time frame. This may require the logging of the complaint in a computer based program and a reminder system to ensure this. | CEO <i>30 November 2009</i> | The audit confirmed with the Shire's CEO that there were no sewerage related customer complaints received by the Shire over the audit period. The Customer Service Charter for Wastewater Services (reviewed October 2009) outlines the process for enquiries, suggestions, complaints and disputes. The Complaints Register exists and is located at the front counter. | COMPLETED |
| 1.8 | Customer Service Charter – Sch.3, Cl.2.5 | The customer charter was last reviewed in 2008 | 2 | Shire of Kent is required by the | CEO <i>30 November</i> | The Shire's CEO advised that customers | COMPLETED |

| Item | Licence Condition | Previous Audit Findings | Prev. Comp. Rating | Recommended Corrective Actions | Post Audit Action Plan | Action Taken | Status |
|-----------|---|--|--------------------|--|------------------------|--|--------|
| (item 20) | The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence. | however the Charter or any summary document have not been sent to any customers. | | Authority to send a copy of the current charter to all customers once in every three year period. The Shire of Kent shall send the Charter to all customers. | 2009 | are advised of the availability of the Customer Service Charter for Wastewater Services in the Annual Report of the Shire. | |

3.3 Audit Results and Recommendations

| No ² | Licence Condition | Obligation Under Condition | Description | Risk Type (1= Major, 2=Moderate, N/R= Not reportable) | Audit Priority (1=highest, 5=lowest) | System established to comply with licence obligation (including any potential improvements) | Compliance rating (Refer to the 7-point rating scale in section 2.5) |
|--|---|----------------------------|--|--|---|---|---|
| DETAILED COMPLIANCE OBLIGATIONS | | | | | | | |
| LICENCE COMPLIANCE REQUIREMENTS – WATER SERVICES LICENSING ACT 1995 | | | | | | | |
| 1 | Water Services Licensing Act Section 32(1)(a) | n/a | The licensee must provide the water service. | 1 | 5 | The audit confirmed that the Shire provides the water service. | 5 |
| 2 | Water Services Licensing Act Section 33 | Clause 19 | The Licensee must achieve prescribed standards as defined in the regulations. | 2 | 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 year ended 30 June 2009. <i>(Post Audit Implementation Plan item 1.3)</i> | 2 |
| 3 | Water Services Licensing Act Section 36(1)(a) | Clause 17.1 | The Licensee must have an Asset Management System in respect to the licensed activity. | 2 | 4 | The audit confirmed that the Asset Management System in respect to the licensed activity is in place. The Asset Management System is currently managed without the aid of a computerised system. However an asset management information system (database) is being set up (commenced after the audit period ending 30 November 2011). | 3 |

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

| No 2 | Licence Condition | Obligation Under Condition | Description | Risk Type (1= Major, 2=Moderate, N/R= Not reportable) | Audit Priority (1=highest, 5=lowest) | System established to comply with licence obligation (including any potential improvements) | Compliance rating (Refer to the 7-point rating scale in section 2.5) |
|---------|---|----------------------------------|---|---|---|---|---|
| | | | | | | <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ Complete setting up and populating the database (Excel spreadsheets) for the Asset Management Information System. <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 CEO that during the audit period, the Authority was advised about the completion of the ponds at Nyabing in the letter dated 10 May 2010. This was acknowledged by the Authority in the letter to the Shire dated 21 May 2010. However, the changes were not notified within 10 business days of the change. <i>Refer recommendation in item 44.</i></p> <p>Apart from the new ponds at Nyabing, there were no other material changes made to the asset management system that would require notification to the Authority.</p> | 2 |
| 5 | Water Services Licensing Act Section 36(1)(c) | Clause 17.3 | The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an independent expert report, acceptable to the Authority, on the effectiveness of the Asset management System. | 2 | 5 | <p>The Asset Management System Review is now being undertaken and will be completed within the prescribed time.</p> <p>Although the due dates are now part of the CEO's diary in Microsoft Outlook (shared with the Deputy CEO), the Shire has no hardcopy record of compliance activities and due dates to comply with the licence.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> • Document the compliance activities, responsibilities and due dates in a Compliance Schedule on the | 4 |

| No ₂ | Licence Condition | Obligation Under Condition | Description | Risk Type (1= Major, 2=Moderate, N/R= Not reportable) | Audit Priority (1=highest, 5=lowest) | System established to comply with licence obligation (including any potential improvements) | Compliance rating (Refer to the 7-point rating scale in section 2.5) |
|-----------------|--|----------------------------|--|--|---|--|---|
| | | | | | | front of the hardcopy Licence file. <i>(Post Audit Implementation Plan item 1.2)</i> | |
| 6 | Water Services Licensing Act Section 37(1) | Clause 16.1 | The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an operational audit conducted by an independent expert, acceptable to the Authority. | 2 | 5 | The Operational Audit is now being undertaken. However, there is no process in place to ensure that the timeframes would be met. Refer recommendation in item 5. | 4 |
| 7 | Water Services Licensing Act Section 38(2) | Clause 20.1 | The licensee must comply with the performance standards set out in Schedule 4. <ul style="list-style-type: none"> Emergency telephone response system such that customers need only make one call and they are advised of the nature and timing of action within one hour (Target is 90% of calls). 90% of complaints resolved within 15 business days. Fewer than 40 blockages per 100km of sewer main | 2 | 2 | The audit reviewed the Shire's Performance Reports for the years ended 30 June 2009, 2010 and 2011 and noted that the Shire complied with all performance standards except for the requirement to have fewer than 40 blockages per 100km of sewer main per year as follows: <ul style="list-style-type: none"> In the year ended 30 June 2009, the Shire reported 2 sewer blockages, which represents a figure of 80 blockages per 100km of sewer main (this represents a minor breach as there were only 2 blockages for the year).. Recommendation: <ul style="list-style-type: none"> Ensure compliance with the prescribed performance standards for sewerage blockages. <i>(Post Audit Implementation Plan item 1.3)</i> | 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) |
|---|---|----------------------------------|--|---|---|---|---|
| | | | per year <ul style="list-style-type: none"> 90% of connected properties experience no sewerage overflows per year | | | | |
| LICENCE COMPLIANCE REQUIREMENTS – WATER COORDINATION REGULATION 1996 | | | | | | | |
| 8 | Water Services Coordination Regulations Section 2 | Clause 4.1 | The licensee must pay the applicable fees in accordance with the regulations. | N/R | 5 | The licence expires on 29 April 2021. The application for renewal of the licence is to be accompanied by the prescribed fee. | N/R |
| LICENCE COMPLIANCE REQUIREMENTS – LICENCE CONDITIONS | | | | | | | |
| 9 | N/A | Clause 6.1 | The licensee must establish a customer complaints process as set out in Schedule 3. | NR | 4 | The Customer Service Charter outlines the process in regards to enquiries, suggestions, complaints and disputes. | 5 |
| 10 | N/A | Schedule 3 Clause 3.1 | The licensee must resolve customer complaints within 15 business days of the receipt of complaint. | NR | N/A | Shire of Kent is a Local Government Agency so this is not applicable. | N/A |
| 11 | N/A | Schedule 3 Clause 3.8 | The licensee must resolve customer complaints within 15 business days of the receipt of complaint or for matters to be considered by a Local | NR | 4 | The audit confirmed with the Shire's CEO that there were no sewerage related customer complaints received by the Shire over the audit period. | N/R |

| No ² | Licence Condition | Obligation Under Condition | Description | Risk Type (1= Major, 2=Moderate, N/R= Not reportable) | Audit Priority (1=highest, 5=lowest) | System established to comply with licence obligation (including any potential improvements) | Compliance rating (Refer to the 7-point rating scale in section 2.5) |
|-----------------|-------------------|----------------------------|---|--|---|---|---|
| | | | Government Council within 5 business days after the first ordinary Council meeting following the 15 business day period. | | | | |
| 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 Kent 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 EHO has been provided with 'dealing with difficult people' training. | 5 |
| 14 | N/A | Schedule 3 Clause 3.2(d) | The licensee must provide an appropriate system to monitor and record the number, nature of and outcomes to complaints. | NR | 4 | The audit confirmed with the Shire's EHO that there were no sewerage related customer complaints received by the Shire over the audit period. A Complaints Register exists and was located at the Reception counter. | 5 |
| 15 | N/A | Schedule 3 Clause 3.4 | The licensee must inform the customer of the option to refer a disputed complaint to the Department of Water. | NR | N/A | Shire of Kent is a Local Government Agency so this is not applicable. | N/A |
| 16 | N/A | Schedule 3 | The licensee must inform the customer of the option to refer | NR | 4 | The audit confirmed with the Shire's EHO that there were no sewerage related customer complaints received by the Shire | 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) |
|---------|----------------------|----------------------------------|---|---|---|---|---|
| | | Clause 3.10 | 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> . | | | over the audit period. The Customer Service Charter outlines the process in regards to enquiries, suggestions, complaints and disputes. | |
| 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 EHO 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 EHO that during the audit period, there were no such requests received from the Department of Water. | N/R |
| 19 | N/A | Clause 7.1 | The licensee must establish a Customer Service Charter as set out in Schedule 3. | 2 | 4 | The revised Shire of Kent Customer Service Charter was approved by the Authority on 30 September 2008. The amendments to the Customer Service Charter were approved by the Authority on 26 October 2009. | 5 |
| 20 | N/A | Schedule 3 Clause 2.5 | The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence. | 2 | 3 | The audit confirmed through discussion with the Shire's CEO that the charter is provided upon request and at no charge to customers. However, the Customer Service Charter for Wastewater Services has not been prominently displayed at the Shire's reception. The Shire's CEO advised that the Customer Service Charter for Wastewater Services will be uploaded to the Shire's website in the near future. The Shire's CEO also advised that the customers are | 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>advised of the availability of the Customer Service Charter for Wastewater Services in the Annual Report of the Shire. The Shire could advise their customers of the availability of the charter as part of the annual rates notice which is mailed to each customer.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Prominently display the Customer Service Charter for Wastewater Services at the Shire's reception. ▪ Increase accessibility of the Customer Service Charter by making the charter available to customers on the Shire's website. ▪ In addition to advising the availability of the charter in the Shire's annual report, the Shire could advise its customers of the availability of the charter as part of the annual rates notice. <p><i>(Post Audit Implementation Plan item 1.4)</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 revised Shire of Kent Customer Service Charter for Wastewater Services was approved by the Authority on 30 September 2008. Amendments to the Customer Service Charter were approved by the Authority on 26 October 2009.</p> <p>The Authority has provided a 12 months extension to the deadline for Shire's Customer Service Charter review. The next review is due in September 2012.</p> <p>Although, any dates that require action are now being entered in to the CEO's diary program in Microsoft Outlook</p> | 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>that is being shared with the Deputy CEO, the Shire should develop and implement a Compliance Schedule to ensure regulatory timeframes are met.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Note in the Compliance Schedule, the requirement to review the Customer Service Charter within the required timeframe. <p><i>(Post Audit Implementation Plan item 1.5)</i></p> | |
| 22 | N/A | Schedule 3 Clause 2.7 | The licensee must provide its services consistent with its Customer Service Charter. | 2 | 4 | <p>The audit confirmed that the Shire provide its services consistent with its Customer Service Charter.</p> <p>The Charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to the Shire's customers.</p> | 5 |
| 23 | N/A | Clause 8 | The licensee must establish customer consultation processes as set out in Schedule 3. | NR | 4 | The audit confirmed with the Shire's CEO that an adequate customer consultation process has been established. | 5 |
| 24 | N/A | Schedule 3 Clause 4.1 | The licensee may either establish a Customer Council or institute at least 2 of the following: establish a regular meeting; publish a newsletter or run other public forums, concerning the licensed activities. | NR | 4 | <p>The audit confirmed with the Shire's CEO that the Shire holds regular electors meetings and articles are being placed in the local newspaper.</p> <p>The Shire also allows its customers to raise matters of concern regarding the sewerage system at public question time during the Kent Shire meetings.</p> | 5 |

| No ² | Licence Condition | Obligation Under Condition | Description | Risk Type (1= Major, 2=Moderate, N/R= Not reportable) | Audit Priority (1=highest, 5=lowest) | System established to comply with licence obligation (including any potential improvements) | Compliance rating (Refer to the 7-point rating scale in section 2.5) |
|-----------------|-------------------|----------------------------|---|--|---|--|---|
| 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 mail outs, information on noticeboards, and local advertising. The Shire of Kent will use local mail outs to all customers to advise of any system change that may result in significant variation in its service levels. The Shire will publish and make available at both towns, information on matters relating to its wastewater services and on other aspects such as charging and complaints handling. | 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 CEO that during the audit period, there were no such requests received from the Authority. | N/R |
| 27 | N/A | Schedule 3 Clause 4.4 | The licensee must hold season opening and closing public meetings, and the agenda must cover at least season opening and closing conditions, tariffs and scheme operation. | NR | N/A | Not applicable. | N/A |
| 28 | N/A | Schedule 3 Clause 4.5 | The licensee must prior to making a major change to the operation of a water service | NR | 4 | The audit confirmed with the Shire's CEO that during the audit period, the Shire has made no significant changes to | 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) |
|-----------------|-------------------|----------------------------|--|--|---|--|---|
| | | | hold a public meeting and seek written submissions. | | | the operation of the water service. | |
| 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 CEO that the Shire allows its customers to raise matters of concern regarding the sewerage system at public question time during the Kent Shire 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 CEO that no such agreements have been entered into over the audit period. | N/R |
| 31 | N/A | Schedule 3 Clause 5.4 | The licensee must publish a report annually that includes the specified information. | NR | 3 | The audit confirmed with the Shire's CEO that no agreements that may exclude, modify or restrict the terms of the licence have been entered into over the audit period. | N/R |
| 32 | N/A | Schedule 3 Clause 6 | The licensee must conduct a customer survey if directed by the Authority. | NR | 4 | The audit confirmed with the Shire's CEO that during the audit period, there were no such directions received from the Authority. | N/R |
| 33 to 40 | N/A | Clause 9 | Memorandum of Understanding | 2 | N/A | Clause 9 is not applicable. | N/A |
| 41 | N/A | Clause 15.1 | The licensee must maintain accounting records that comply with the Australian Accounting Standards Board | NR | 4 | Each year the Shire of Kent prepares a comprehensive Annual Report for the whole of the Shire, which is independently audited by a certified auditor. | 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) |
|-----------------|---|----------------------------|---|--|---|---|---|
| | | | Standards or equivalent International Accounting Standards. | | | The audit sighted the Shire's Annual Report for the year ended 30 th June 2011 including an Independent Audit Report. | |
| 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 23 January 2012, stipulates compliance requirements on auditors. | 5 |
| 43 | Water Services Licensing Act Section 36 | Clause 17.1 | The licensee must provide for and notify the Authority of its asset management system within 2 business days from the licence commencement date unless notified in writing by the Authority. | 2 | 5 | The licence commencement date was 21 May 1997. The Authority was notified of the Shire's asset management system back then. | 5 |
| 44 | Water Services Licensing Act 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 | The audit confirmed with the Shire's CEO that during the audit period, the Authority was advised about the completion of the ponds at Nyabing in the letter dated 10 May 2010. This was acknowledged by the Authority in the letter to the Shire dated 21 May 2010. However, the Compliance Document certifying that the works were constructed in accordance with the conditions of Works Approval 4526/2009/1 and as per construction drawings was | 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>signed by the Project Manager on 24 November 2009. As such the 10 business days timeframe for notifying Authority of any to the asset management system was not met.</p> <p>The requirement to notify the Authority of any changes to the Shire's asset management system within 10 business days from the date of change is not documented in the Asset Management Plan for Shire of Kent Sewerage Scheme (reviewed September 2009) or anywhere else.</p> <p>Apart from the new ponds at Nyabing, the audit did not identify any other material changes to the asset management system that would require notification to the Authority.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Update the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within 10 business days. ▪ Note in the Compliance Schedule, the requirement to notify the Authority of any significant changes to the asset management system within 10 business days. <p><i>(Post Audit Implementation Plan item 1.6)</i></p> | |
| 45 | Water Services Licensing Act Section 36 | Clause 17.4 | The licensee must comply and require the licensee's expert to comply with the Authority's Standard Guidelines dealing with the asset management system review including, | NR | 4 | The Audit Plan - Operational Audit and Asset Management System Review dated 23 January 2012 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) |
|-----------------|-------------------|----------------------------|--|--|---|--|---|
| | | | 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 updates on the post-audit implementation plan in respect of the 2008 performance audit and asset management system review to the Authority. | 5 |
| 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: <ul style="list-style-type: none"> Annual performance reports no later than 31 July for the reporting year ending 30 June; and Annual compliance reports by 31 August for the year ending 30 June. <p>The audit reviewed the Shires Compliance and Performance Reports for the years ending 30 June 2009, 2010 and 2011</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) |
|---------|----------------------|----------------------------------|-------------|---|---|---|---|
| | | | | | | <p>and relevant correspondence between the Shire and the Authority and noted the following exceptions:</p> <ul style="list-style-type: none"> • Performance Report for the year ended 30 June 2009 was submitted after the due date (in August 2009). The Authority acknowledged this non-compliance but this was omitted from the Compliance Report for 2010; • Performance Report and Compliance Report for the year ended 30 June 2010 were submitted after the due date (in August and September 2010); • Compliance Report for the year ended 30 June 2011 did not include the late 2010 Compliance Report as a non-compliance until requested by the Authority; and • Performance Report and Compliance Report for the year ended 30 June 2011 were submitted after the due date (in August and September 2011). The Authority acknowledged this non-compliance and it needs to be recorded in the Compliance Report for the year ending 30 June 2012. <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Note in the Compliance Schedule, the due dates for annual Performance and Compliance Reports. ▪ Ensure that all future Performance and Compliance Reports are submitted to the Authority within the | |

| 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>timeframes required.</p> <ul style="list-style-type: none"> Keep track of all non-compliances with the licence obligations so that future Compliance Reports are complete. <p><i>(Post Audit Implementation Plan item 1.7)</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 CEO 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 | <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 |
| - | N/A | Schedule 6 Clause 2.2 | The licensee must ensure that its services are available for connection on any land in the Operating Area subject to compliance with the Shire's conditions. | NR | 4 | <p>The audit confirmed with the Shire's CEO that the services are available for connection on any land in the Operating 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> | 5 |
| - | N/A | Schedule 6 | The licensee may with the written agreement of the | NR | 4 | The audit confirmed with the Shire's CEO that over the audit period there was no discontinuation of the service due to 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) |
|---------|-------------------|----------------------------|---|--|---|---|---|
| | | Clause 2.3 | property owner discontinue a service where it is not commercially viable. | | | service not being commercially viable. | |

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 Kent has complied with all of its Water Services Operating Licence performance and quality standards and licence obligations during the audit period 1st December 2008 to 30th November 2011 with the exception of the following non-compliances:

- Not complying with the requirement to have fewer than 40 blockages per 100km of sewer main per year in the year ended 30 June 2009 (minor breach as there were only two blockages);
- Not notifying the Authority of significant changes to the asset management system within 10 business days of the change;
- Not prominently displaying the Customer Service Charter at the Shire's Reception; and
- Performance and compliance reports were not always submitted by the due dates, and late reports are not being included as non-compliances in the compliance reporting to the Authority.

The audit reviewed the action taken on previous audit recommendations in the audit report dated October 2009 and confirmed that out of eight recommendations, six have been completed and two are partly completed. This demonstrates that there has been an improvement in compliance with the licence conditions. The outstanding issues are:

- The Shire's Asset Management Plan was reviewed in September 2009 but some parts were not updated. The complete system of plans, policies and procedures and the asset management information system has not been reviewed; and
- There is no asset management information system although a database is being set up and populated, including the planned operations and maintenance programme.

Another opportunity for improvement was noted as follows:

- Although due dates for regulatory reporting and advice to the Authority are included in the CEO's diary in Microsoft Outlook, there is no Compliance Schedule as a complete record of due dates and obligations for reviews, notifications and reporting to comply with the licence obligations.

The audit recommended that the Shire:

- Complete setting up and populating the database (Excel spreadsheets) for the asset management information system;
- Document the compliance activities, responsibilities and due dates in a Compliance Schedule;
- Ensure compliance with the prescribed standards for sewerage blockages;
- Increase accessibility of the Customer Service Charter to customers;

- Update the Asset Management Plan and note in the Compliance Schedule, the requirement to notify the Authority of any changes to the asset management system within 10 business days; and
- Ensure that performance and compliance reports are submitted to the Authority by the due dates and that compliance reports include all non-compliances; and

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

Overall, there is an adequate control environment to ensure that the licence obligations are met.

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

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

Asset Management
System Review –
Detailed Report

Final Report

July 2012

4. Asset Management System Review

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

This included evaluating the key processes of:

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

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

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

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

4.1 Summary of Asset Management System Ratings

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

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

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

4.2 Previous Review Recommendations

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

| Item | Asset Management Element | Previous Review Findings | Prev. Effect. Rating | Recommended Corrective Actions | Post Audit Action Plan | Action Taken | Status |
|------|--|---|----------------------|---|---|--|------------------|
| 2.1 | Asset Planning Plans are regularly reviewed and updated. | The asset management system is operating at an acceptable level due to the size of the system and the fact that the Shire of Kent's population is not expected to grow within the next 5 years. The asset planning is done as part of the AMP. The AMP is an excellent document. The AMP is due for review as soon as possible. | 3 | The Shire of Kent will need to conduct a review of the Asset Management Plan as soon as possible. | CEO <i>As soon as possible.</i> | The Asset Management Plan was reviewed in September 2009. | COMPLETED |
| 2.2 | Asset Disposal Under-utilised and under-performing assets are identified as part of a regular systematic review process. | There has been no asset disposal during this audit period. The reviews of under-utilised assets need to be conducted more frequently | 2 | The Shire of Kent to conduct a survey of underutilised or underperforming assets. | CEO, Works Manager <i>30 November 2009</i> | The Shire advised in September 2010 that in their opinion there were no under-utilised or under-performing assets. A full CCTV inspection of the condition of assets was subsequently performed in 2011 to confirm this opinion. | COMPLETED |
| 2.3 | Environmental Analysis Opportunities | The operating environment was audited by 360 Environmental during this audit period. Issues were | 3 | Once the new works construction is complete at the Nyabing ponds the Shire of Kent will require | CEO <i>On completion of the new ponds in</i> | The Asset Management Plan was updated for the new Nyabing ponds. The | PARTLY COMPLETED |

| Item | Asset Management Element | Previous Review Findings | Prev. Effect. Rating | Recommended Corrective Actions | Post Audit Action Plan | Action Taken | Status |
|------|--|--|----------------------|--|--|--|------------------|
| | and threats in the system environment are assessed. | outlined and these issues are currently being rectified. | | a review of the Asset Management System to encompass the new works. | <i>Nyabing.</i> | database is currently being populated. <i>(Post Audit Implementation Plan item 2.4)</i> | |
| 2.4 | Asset Maintenance Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule. | Overall the maintenance of the assets is good however a more detailed maintenance plan would be necessary to ensure that maintenance is conducted at appropriate time gaps. | 3 | It would make maintenance more efficient to form a more detailed maintenance plan other than what is in the AMP. | <i>CEO, Works Manager 30 November 2009</i> | The Shire has procedures for the periodic inspection and maintenance of the assets. These will be incorporated in the new asset management information system. <i>(Post Audit Implementation Plan item 2.5)</i> | PARTLY COMPLETED |
| 2.5 | Asset Management Information System Adequate system documentation for users and system operators. | It is recommended that the Shire of Kent have the asset management information system (AMIS) moved into a format where it can be maintained and utilised easily by trained personnel. The current AMIS resides within a Microsoft Word format. Although the current system works for the Shire of Kent it would be much more useable in a spreadsheet format where reports and current | 1 | Consider using spreadsheets available from the Authority for the AMIS. | <i>CEO 30 November 2009</i> | The asset management information system is currently being established on a database. <i>(Post Audit Implementation Plan item 2.4)</i> | PARTLY COMPLETED |

| Item | Asset Management Element | Previous Review Findings | Prev. Effect. Rating | Recommended Corrective Actions | Post Audit Action Plan | Action Taken | Status |
|------|--|--|----------------------|---|------------------------------------|---|-----------|
| | | conditions can be produced easily. | | | | | |
| 2.6 | <p>Review of Asset Management System</p> <p>A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.</p> | <p>The Asset Management Plan has been reviewed since the last audit and submitted to the Authority for approval. This occurred in 2006.</p> <p>The license stipulates that these reviews must occur no later than every 5 years.</p> | 3 | A review of the AMP is overdue. The Shire of Kent should schedule a review of this document within the next 3 months. | <p>CEO</p> <p>30 November 2009</p> | The Asset Management Plan was reviewed in September 2009. | COMPLETED |

4.3 Review Results and Recommendations

| Item no. | Criteria (refer criteria in Audit Guidelines) | Observations and results (including any potential improvements) | | | |
|----------|---|---|---|---------------------------------|---|
| | | Process Rating ³ | B | Performance Rating ⁴ | 3 |
| 1 | ASSET PLANNING | | | | |
| 1.1 | Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning. | The Shire of Kent Asset Management Plan (AMP) reviewed September 2009 was sighted. The goal, objective and level of service are stated in the AMP as: <i>“to provide cost effective wastewater collection, treatment and disposal services for the town of Kent, which meets community expectations for health and environmental management”..</i> | | | |
| 1.2 | Service levels are defined. | The Levels of Service requirements for customers are detailed in the Customer Service Charter. Additionally, the levels of service and performance parameters have been defined in the AMP. Performance is measured in performance reports to the Authority. | | | |
| 1.3 | Non-asset options (e.g. demand management) are considered. | The assets are considered appropriate for the current levels of demand. | | | |
| 1.4 | Lifecycle costs of owning and operating assets are assessed. | <p>The AMP includes the replacement costs and expected life of the main assets of the scheme as at 2009. Annual income for the next 5 years is only shown up to 2007/08 and was not updated.</p> <p>There is no detailed lifecycle costing showing the complete lifecycle costs (capital, operating and maintenance cost) to enable the level of the sewerage reserve to be determined. There is no indication as to whether the current sewerage reserve of \$99,147 at 30 June 2011 is adequate to cover future replacement costs. There are no expense forecasts for the next 5 years. A detailed Annual Capital Investment Budget is being developed as part of the asset management system.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Update the Asset Management Plan to show a detailed lifecycle costing of the scheme, the transfer to reserves required to meet future replacement costs; and the annual income and operating and maintenance costs for the next 5 years. This should be based on the detailed data compiled in the asset management system (Excel spreadsheets). | | | |

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

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

| Item no. | Criteria (refer criteria in Audit Guidelines) | Observations and results (including any potential improvements) | | | |
|----------|--|--|---|--------------------|---|
| | | <i>(Post Audit Implementation Plan item 2.1)</i> | | | |
| 1.5 | Funding options are evaluated. | <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 Kent 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 Kent town site. The purpose of this rate is to offset the cost of the sewerage treatment, including operation, maintenance, administration, depreciation and loan repayments.</p> <p>The Asset Management Plan does not have sufficient detail to determine whether the existing sewerage reserve and annual transfer of \$2,000 are adequate to meet the future replacement costs of the assets over the life of the scheme. Refer section 1.4 above. A detailed Annual Capital Investment Budget is being developed as part of the asset management system.</p> | | | |
| 1.6 | Costs are justified and cost drivers identified. | The estimated replacement costs of assets are included in the AMP. Demand is stable. Operating and maintenance cost are not detailed in the AMP for the next 5 years. Refer section 1.4 above. | | | |
| 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. Assets are given a condition rating and an importance rating in the AMP as a form of risk assessment. | | | |
| 1.8 | Plans are regularly reviewed and updated. | <p>The AMP has not been reviewed since September 2009 and at that date parts of the plan such as the financial projections were not updated.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> • Review the Asset Management Plan in April of each year as part of the development of the annual Shire budget for the following year. A complete revision of the plan should be done at least every 5 years or if major changes to the scheme occur. <p><i>(Post Audit Implementation Plan item 2.2)</i></p> | | | |
| 2 | ASSET CREATION/ ACQUISITION | Process Rating | A | Performance Rating | 2 |
| 2.1 | Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions. | No new assets are shown on the Asset Management Plan since the Nyabing pond expansion in 2009. A project evaluation was undertaken prior to contracting the project engineers. Apart from this, the AMP only includes replacement of existing assets as they reach the end of their life. | | | |
| 2.2 | Evaluations include all life-cycle costs. | No new assets are shown on the AMP. | | | |
| 2.3 | Projects reflect sound engineering and | No new assets are shown on the AMP. | | | |

| Item no. | Criteria (refer criteria in Audit Guidelines) | Observations and results (including any potential improvements) | | | |
|----------|---|---|---|--------------------|---|
| | business decisions. | | | | |
| 2.4 | Commissioning tests are documented and completed. | Commissioning tests for the Nyabing ponds expansion were documented and completed. The completed ponds were registered with the Department of Environment. | | | |
| 2.5 | Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood. | <p>Section 5 of the AMP outlines the legislative requirements, although this section needs to be updated for the current operating licence issued in 2009. The Health Act, Environmental Protection and Occupational Health, Safety and Welfare are briefly considered. The Nyabing pond is registered with the Department of Environment. The Pingrup pond is smaller and does not need to be registered.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Update the Asset Management Plan for the new operating licence issued in 2009 and to note the registration of the Nyabing pond with the Department of the Environment. <p><i>(Post Audit Implementation Plan item 2.3)</i></p> | | | |
| 3 | ASSET DISPOSAL | Process Rating | A | Performance Rating | 1 |
| 3.1 | Under-utilised and under-performing assets are identified as part of a regular systematic review process. | This is a small system and all assets are performing as intended. No disposals are planned other than pump station pumps being replaced as required. There have been two full inspections over the past 18 months. | | | |
| 3.2 | The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken. | Asset condition is reviewed and reasons for any under-performance are investigated. | | | |
| 3.3 | Disposal alternatives are evaluated. | According to the AMP, assets at the end of their life will be replaced with a similar capacity and the old asset dumped or recycled for scrap as appropriate. | | | |
| 3.4 | There is a replacement strategy for assets. | The Asset Management Plan records details of the main assets and their replacement costs and expected lives. | | | |
| 4 | ENVIRONMENTAL ANALYSIS | Process Rating | A | Performance Rating | 2 |
| 4.1 | Opportunities and threats in the system environment are assessed. | Opportunities and threats for the system are considered in the AMP and in the risk assessment spreadsheet. | | | |
| 4.2 | Performance standards (availability of | Annual Performance Report sighted for 2008/09, 2009/10 and 2010/11. Performance standards have been met apart | | | |

| Item no. | Criteria (refer criteria in Audit Guidelines) | Observations and results (including any potential improvements) | | | |
|----------|---|--|---|--------------------|---|
| | service, capacity, continuity, emergency response, etc) are measured and achieved. | from 2 blockages in 2009 (minor breach). | | | |
| 4.3 | Compliance with statutory and regulatory requirements. | <p>The Asset Management Plan identifies the following regulatory requirements:</p> <ul style="list-style-type: none"> ▪ Water Services Licensing Act 1995; ▪ Local Government Act 1995; ▪ Environmental Protection Act 1986; ▪ Occupational Safety and Health Act 1984; and ▪ Water Agencies (Powers) Act 1984. <p>The AMP also requires compliance with the Shire's Operating Licence for Sewerage Services under the Water Services Licencing Act 1995, although the operating licence details need to be updated for the current licence from the Authority. (<i>Refer Post Audit Implementation Plan item 2.3</i>).</p> <p>The CEO and Works Supervisor monitor compliance.</p> | | | |
| 4.4 | Achievement of customer service levels. | Compliance reports have been submitted for the past 3 years that show that customer service levels have been achieved. The CEO advised that there have been no customer complaints. | | | |
| 5 | ASSET OPERATIONS | 2 | A | Performance Rating | 2 |
| 5.1 | Operational policies and procedures are documented and linked to service levels required. | The Asset Management Plan includes an overview of the operations of the system. The manufacturers' operating instructions/manuals are kept and used by Works staff. | | | |
| 5.2 | Risk management is applied to prioritise operations tasks. | There is no formal documentation of Risk Management. However, Shire staff consider risks during normal operations and are competent to manage the system. Refer item 8.1. | | | |
| 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>Physical parameters for the assets are recorded in the "As constructed" drawings (PDF copies are also kept). The AMP provides a summary description of each installation within the scheme. The current review of the system being carried out by Shire staff will improve the level of documentation. A detailed listing of assets is being created in the asset management information system.</p> <p>Recommendation:</p> | | | |

| Item no. | Criteria (refer criteria in Audit Guidelines) | Observations and results (including any potential improvements) | | | |
|----------|--|--|---|--------------------|---|
| | | <ul style="list-style-type: none"> Complete the updating of the asset management information system (Excel spreadsheets) for the scheme's assets, including the condition assessment. <p><i>(Post Audit Implementation Plan item 2.4)</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 outlines the current human resources required to support the plan as follows:</p> <ul style="list-style-type: none"> CEO or Deputy CEO; Works Supervisor; Building Maintenance Officer; Town Gardener; Contract Personnel. <p>The Kent wastewater scheme is a simple system which requires a basic level of asset management to maintain it in an effective condition. The assets are in good condition.</p> | | | |
| 6 | ASSET MAINTENANCE | Process Rating | A | Performance Rating | 2 |
| 6.1 | Maintenance policies and procedures are documented and linked to service levels required. | <p>The Nyabing and Pingrup wastewater schemes are simple systems, which require a very basic level of asset management to maintain them in effective condition. The systems are in good condition. The assets seem appropriate for the current levels of demand.</p> <p>The Asset Management Plan includes a section on Maintenance Planning that provides an overview of the maintenance activities. There is a detailed Maintenance Schedule in the AMP.</p> <p>Long term staff of the Shire have an excellent knowledge of the requirements and carry out maintenance in a very effective manner.</p> | | | |
| 6.2 | Regular inspections are undertaken of asset performance and condition. | Two inspections have been undertaken over the past 18 months. Inspections are conducted at least annually. | | | |
| 6.3 | Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule. | <p>A comprehensive Routine Maintenance Plan has been included in the AMP. The maintenance schedule specifies maintenance tasks to be carried out and the intervals at which they need to be done. It provides a checklist of maintenance tasks but is reliant on the knowledge and ability of the person performing the maintenance to carry them out satisfactorily.</p> <p>The unforeseen maintenance tasking is instigated by a telephone call-out system to the Shire Work's Manager, who</p> | | | |

| Item no. | Criteria (refer criteria in Audit Guidelines) | Observations and results (including any potential improvements) | | | |
|----------|---|--|---|--------------------|---|
| | | <p>attends the site, assesses the requirements and arrange the immediate and follow-up actions and activities.</p> <p>The procedures for the periodic inspection and maintenance of the assets are to be incorporated in the new asset management system (Excel spreadsheets). Evidence of their completion needs to be retained in the database.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> • Include the maintenance procedures, scheduling and responsibility in the asset management information system including a record of their completion. <p><i>(Post Audit Implementation Plan item 2.5)</i></p> | | | |
| 6.4 | Failures are analysed and operational/maintenance plans adjusted where necessary. | Any failures are rare but would be analysed and considered as part of the Shire's annual budget preparation. | | | |
| 6.5 | Risk management is applied to prioritise maintenance tasks. | <p>Risk is considered in the AMP as far as noting the condition and importance level of major assets. However, there is no detailed risk assessment documented in the asset management information system.</p> <p>Refer section 8.1.</p> | | | |
| 6.6 | Maintenance costs are measured and monitored. | Maintenance costs are tracked through the FMIS and actual/budget reporting each month. | | | |
| 7 | ASSET MANAGEMENT INFORMATION SYSTEM | Process Rating | B | Performance Rating | 2 |
| 7.1 | Adequate system documentation for users and IT operators. | <p>The asset management information system is currently being populated.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Complete the updating of the asset management information system (Excel spreadsheets) for the scheme's assets, including the condition assessment. ▪ Review the asset condition on an annual basis (not necessarily CCTV) and update any changes in the asset management information system. <p><i>(Post Audit Implementation Plan item 2.4)</i></p> | | | |
| 7.2 | Input controls include appropriate verification and validation of data | Excel spreadsheets are being populated and data is checked when input. | | | |

| Item no. | Criteria (refer criteria in Audit Guidelines) | Observations and results (including any potential improvements) | | | |
|----------|--|--|---|--------------------|---|
| | entered into the system. | | | | |
| 7.3 | Logical security access controls appear adequate, such as passwords. | The AMP and the accompanying Excel spreadsheets will be saved on the server. There is a password access to the Shire's system and PCs which restricts access to authorised Shire officers. | | | |
| 7.4 | Physical security access controls appear adequate. | The Shire offices are locked and alarmed outside of hours. | | | |
| 7.5 | Data backup procedures appear adequate. | The system is regularly backed up as part of the standard IT maintenance procedures on a nightly basis and disks are taken offsite for safekeeping. | | | |
| 7.6 | Key computations related to licensee performance reporting are materially accurate. | <p>Some Excel spreadsheets contains formulas such as, for example:</p> <ul style="list-style-type: none"> - In the Risk Assessment spreadsheet, inherent risk is automatically assigned from the likelihood and overall consequence scores; - In the Annual Capital Investment Budget spreadsheet and in the Annual Operations & Maintenance Budget spreadsheet, the light blue cells are automatically calculated. <p>Apart from viewing the computations in the formula bar, no documentation of key computations has been provided to the Shires. The system is still in the process of being set up.</p> | | | |
| 7.7 | Management reports appear adequate for the licensee to monitor licence obligations. | <p>Apart from printing the Excel spreadsheets out, there is no ability to create management reports.</p> <p>However, the functionality of the suite of Excel spreadsheets provided as a guide by the Authority to Shires for asset management planning purposes appears to be adequate for the Shire's needs.</p> | | | |
| 8 | RISK MANAGEMENT | Process Rating | C | Performance Rating | 3 |
| 8.1 | Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system. | <p>There is no Risk Assessment policy and procedures outlined in the Asset Management Plan and no detailed risk register.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> • Update the Asset Management Plan to include a risk assessment policy and procedure, and implement this by updating the detailed risk register for licence conditions and asset failures, in the asset management system (Excel spreadsheet). <p><i>(Post Audit Implementation Plan item 2.6)</i></p> | | | |
| 8.2 | Risks are documented in a risk register | There is no formal documentation of risks and treatment plans. Refer section 8.1. | | | |

| Item no. | Criteria (refer criteria in Audit Guidelines) | Observations and results (including any potential improvements) | | | |
|-----------|---|---|---|--------------------|---|
| | and treatment plans are actioned and monitored. | | | | |
| 8.3 | The probability and consequences of asset failure are regularly assessed. | There is no formal documentation of risks and treatment plans. Refer section 8.1. | | | |
| 9 | CONTINGENCY PLANNING | Process Rating | C | Performance Rating | 3 |
| 9.1 | Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks. | <p>Key staff have an understanding of unwritten procedures, such as the calling of a plumber in the case of a pipe blockage, or an electrician in the case of a pump failure.</p> <p>However, a formal Contingency Plan has not been developed.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> • Based on the recommended risk assessment, a set of contingency plans or emergency procedures should be developed by the Shire to cover situations identified in the risk assessment as being a major or significant risk. For example bushfire affecting ponds or reticulation equipment; reticulation pump or electrical failure; extreme rainfall events/water overflows from the ponds; pipeline burst or blockages etc. <p>The contingency plans should include:</p> <ul style="list-style-type: none"> ○ Detailed procedures ○ Key local contact details – name, number and location ○ Communication protocols ○ Specifications, location and availability of emergency equipment ○ Authorities that need to be contacted and when. <ul style="list-style-type: none"> • Once developed, the contingency plans should be reviewed and tested on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency. <p><i>(Post Audit Implementation Plan item 2.7)</i></p> | | | |
| 10 | FINANCIAL PLANNING | Process Rating | B | Performance Rating | 3 |
| 10.1 | The financial plan states the financial | The AMP has a broad financial plan that sets out the strategy and objectives. Overall the AMP has insufficient | | | |

| Item no. | Criteria (refer criteria in Audit Guidelines) | Observations and results (including any potential improvements) |
|----------|--|--|
| | objectives and strategies and actions to achieve the objectives. | information to be able to properly plan for the financial income and expenditure on the scheme. |
| 10.2 | The financial plan identifies the source of funds for capital expenditure and recurrent costs. | <p>The Shire maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Kent 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 Kent town site. The purpose of this rate is to offset the cost of the sewerage treatment, including operation, maintenance, administration, depreciation and loan repayments. The AMP also notes that additional loans for replacements may need to be funded by customers in future.</p> <p>The AMP notes the source of funds but the data ends in 2007/08 and has not been updated when the plan was updated in 2009.</p> |
| 10.3 | The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets). | <p>The Annual Budget document is completed for each coming financial year for the Shire which includes the Sewerage System. Actual/budget income and expenditure is monitored.</p> <p>A detailed financial plan for the scheme is being developed through the population of the asset management information system. <i>(Refer Post Audit Implementation Plan item 2.1).</i></p> |
| 10.4 | The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period. | <p>The Annual Budget document is completed for each coming financial year for the Shire which includes the Sewerage System. Actual/budget income and expenditure is monitored.</p> <p>A detailed financial plan for the scheme is being developed through the population of the asset management information system. <i>(Refer Post Audit Implementation Plan item 2.1).</i></p> |
| 10.5 | The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services. | <p>The AMP includes the replacement costs and expected life of the main assets of the scheme as at 2009. Annual income for the next 5 years is only shown up to 2007/08 and was not updated.</p> <p>There is no detailed lifecycle costing showing the complete lifecycle costs (capital, operating and maintenance cost) to enable the level of the sewerage reserve to be determined. There is no indication as to whether the current sewerage reserve of \$99,147 at 30 June 2011 is adequate to cover future replacement costs. There are no expense forecasts for the next 5 years. A detailed Annual Capital Investment Budget is being developed as part of the asset management system.</p> <p><i>(Refer Post Audit Implementation Plan item 2.1).</i></p> |
| 10.6 | Significant variances in actual/budget income and expenses are identified and corrective action taken where | Variations in actual and budget income and expenses are identified in monthly reports. |

| Item no. | Criteria (refer criteria in Audit Guidelines) | Observations and results (including any potential improvements) | | | |
|-----------|---|---|---|--------------------|---|
| | necessary. | | | | |
| 11 | CAPITAL EXPENDITURE PLANNING | Process Rating | B | Performance Rating | 3 |
| 11.1 | There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates. | There is a basic capital expenditure plan in the AMP but there is insufficient detail on the forecast lifecycle asset replacement program. The Capital Investment Budget spreadsheet is currently being populated. <i>(Refer Post Audit Implementation Plan item 2.1).</i> | | | |
| 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 is still being developed as noted in section 11.1. | | | |
| 11.4 | There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned. | There is no process to ensure the capital expenditure plan is regularly updated. <i>(Refer Post Audit Implementation Plan item 2.2).</i> | | | |
| 12 | REVIEW OF ASSET MANAGEMENT SYSTEM | Process Rating | C | 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 Shire's Asset Management Plan was reviewed in September 2009 but some parts were not updated. The complete system of plans, policies and procedures and the asset management information system have not been reviewed.</p> <p>The Shire is currently revising the asset management system including implementing a database. The Authority was notified of progress in Post Audit Implementation Plan updates.</p> <p>The AMP (September 2009) does not include any procedures for the regular review and update of the plan; or the requirement to notify the Authority of any changes to the asset management system within 10 business days.</p> <p>The AMP does not have any Document 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 users of the AMP could benefit from a brief description of changes to the document from the previous version.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> • Include in the Asset Management Plan, the requirement to notify the Authority of any changes to the asset management system within 10 business days. <i>(Post Audit Implementation Plan item 1.6)</i> • Include in the Asset Management Plan, a Monitoring and Review Procedures section for the annual review and update of the Plan and revision at least every 5 years; • 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 2.8)</i> |
| 12.2 | Independent reviews (e.g. internal audit) are performed of the asset management system. | An independent review is performed every 3 years as required by the licence. |

4.4 Conclusion

The review of the Asset Management System has shown that the assets appear to be well-maintained by experienced staff. However, the current asset management system (comprising the plans, policies, procedures and database) is not adequately defined and implemented to ensure the ongoing effective operation of the scheme, particularly if staff changes occur. The system is currently being upgraded to address these issues.

The review confirmed that out of six recommendations in the previous review report dated October 2009, three have been implemented and three are partly completed

The partly completed recommendations are:

- The asset management information system has not yet been revised for the new Nyabing ponds;
- The Shire's procedures for the periodic inspection and maintenance of assets have not yet been included in the asset management information system; and
- The asset management information system is currently being populated.

The following issues were identified in this review:

- The Asset Management Plan (AMP) has not been updated for income and expenditure projections beyond 2007/08;
- The AMP has not been updated since 2009 and parts of the plan were not updated at that time and are out-of-date;
- The AMP does not include any formal risk assessment process and there is no detailed risks register listing risks and mitigation and treatment plans;
- There are no detailed contingency plans for failure of assets or risk events such as overflow of the ponds; and no evidence of testing; and
- The AMP does not include any review procedures and summary of changes made.

The review recommended that the Shire:

- Update the financial data on income and expenditure to provide projections for the next five years;
- Review the AMP on an annual basis with major revisions at least every five years or if major changes occur;
- Update the AMP for the operating licence issued in 2009 and the registration of the Nyabing pond with the Department of Environment;
- Complete the populating of the asset management information system;
- Include the maintenance procedures in the asset management information system with a record of their completion;
- Develop detailed contingency plans and review/test these on an annual basis;
- Include in the AMP a procedure for annual review of the plan and provide a summary of changes in a document history section.

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

Appendix A: Post Audit Implementation Plan

| No. | Issue | Priority (High Medium Low) | Recommendation | Management Response | Person Responsible & Completion Date |
|------------------|--|-------------------------------------|---|--|---|
| 1 | Operational Audit | | | | |
| 1.1 (item 3) | <p>Asset Management System</p> <p>The audit confirmed that the Asset Management System in respect to the licensed activity is in place.</p> <p>The Asset Management System is currently managed without the aid of a computerised system. However a database is being set up.</p> | Medium | Complete setting up and populating the database (Excel spreadsheets) for the asset management information system. | <p>A total review of the asset management information system is under way including recent full pickup of the system, one complete CCTV inspection with a further inspection which will now be completed in 2012/13.</p> <p>The intent is to get a complete picture of the asset condition and plan for its systematic replacement within its estimated lifespan.</p> <p>The asset is in good condition and is being managed well. The two systems combined total approximately 2.5kms of pipework and it is managed by a simple inspection regime and the regular replacement of pumps.</p> | CEO 30 April 2013 |
| 1.2 (items 5) | Operational Audit and Asset Management System Review | Low | Document the compliance activities, responsibilities and due dates in a Compliance Schedule on | I'm not sure that this recommendation will achieve the outcome sought. By | CEO Immediate The Shire now |

| No. | Issue | Priority (High Medium Low) | Recommendation | Management Response | Person Responsible & Completion Date |
|------------------|--|-------------------------------------|---|--|---|
| & 6) | <p>The Operational Audit and Asset Management System Review is now being undertaken.</p> <p>Although the due dates are now part of the CEO's diary in Microsoft Outlook (shared with the Deputy CEO), the Shire has no hardcopy record of compliance activities and due dates to comply with the licence.</p> | | the front of the hardcopy Licence file. | <p>simply having the compliance schedule in hard copy form on a file will not prompt anyone to action them. There needs to be a prompt to an officer to actually undertake the required actions at the appropriate time. The file is only accessed when required, not on a daily or weekly basis.</p> <p>Further action will be taken to ensure that full compliance occurs.</p> | has a contract EHO who will be able to dedicate more time at the crucial times to the compliance (documentation) side of the sewerage system. |
| 1.3 (item 7) | <p>Performance Standards</p> <p>The audit reviewed the Shire's Performance Reports for the years ended 30 June 2009, 2010 and 2011 and noted that the Shire complied with all performance standards 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"> In the year ended 30 June 2009, the Shire reported 2 sewer blockages, which represents a figure of 80 blockages per 100km of sewer main (this represents a minor breach as there were only 2 blockages for the year). | Low | Ensure compliance with the prescribed performance standards for sewerage blockages. | <p>I don't propose to take any further action in relation to this item apart from monitoring the number of blockages.</p> <p>Two blockages in the year is deemed to be insignificant as long as the incidents are well managed as these were.</p> | CEO Completed |
| 1.4 (item 20) | <p>Customer Service Charter</p> <p>The licensee must make the Customer Service Charter available to its customers in the three ways</p> | Medium | a) Prominently display the Customer Service Charter for Wastewater Services at the | As already agreed the Charter will be posted on the Shire of Kent web site when completed, it is already | CEO Completed |

| No. | Issue | Priority (High Medium Low) | Recommendation | Management Response | Person Responsible & Completion Date |
|------------------|---|-------------------------------------|---|--|---|
| | <p>detailed in their licence.</p> <p>The audit confirmed through discussion with the Shire's CEO that the charter is provided upon request and at no charge to customers. However, the Customer Service Charter for Wastewater Services has not been prominently displayed at the Shire's reception.</p> <p>The Shire's CEO advised that the Customer Service Charter for Wastewater Services will be uploaded to the Shires website in the near future.</p> <p>The Shire's CEO also advised that the customers are advised of the availability of the Customer Service Charter for Wastewater Services in the Annual Report of the Shire. The Shire could advise their customers of the availability of the charter as part of the annual rates notice which is mailed to each customer.</p> | | <p>Shire's reception.</p> <p>b) Increase accessibility of the Customer Service Charter by making the charter available to customers on the Shire's website.</p> <p>c) In addition to advising the availability of the charter in the Shire's annual report, the Shire could advise its customers of the availability of the charter as part of the annual rates notice.</p> | <p>referred to in the Shire's Annual Report.</p> <p>While the charter has not been prominently displayed on the front counter, it would be somewhat lost in the myriad of State and Federal Government department brochures, advices and other documents that are also prominently displayed.</p> <p>The Shire office is also the library and therefore there are hundreds of documents available to the general public on display.</p> <p>We now comply with this item fully. The charter is mentioned on the accompanying brochure with the rates notices.</p> | |
| 1.5 (item 21) | <p>Review of Customer Service Charter</p> <p>The licensee must review its Customer Service Charter at least once in every three year period.</p> <p>The revised Shire of Kent Customer Service Charter for Wastewater Services was approved by the Authority on 30 September 2008. Amendments to the Customer Service Charter were approved by</p> | Low | Note in the Compliance Schedule, the requirement to review the Customer Service Charter within the required timeframe. | <p>Subsequent advice from the ERA has indicated that the review has been extended a further 12 months and that the charter may not be required for small systems such as ours.</p> <p>I will await further information</p> | CEO 30 April 2013 |

| No. | Issue | Priority (High Medium Low) | Recommendation | Management Response | Person Responsible & Completion Date |
|--------------------------|---|-------------------------------------|---|---|---|
| | <p>the Authority on 26 October 2009.</p> <p>The Authority has provided a 12 months extension to the deadline for Shire's Customer Service Charter review. The next review is due in September 2012.</p> <p>Although, any dates that require action are now being entered in to the CEO's diary program in Microsoft Outlook (shared with the Deputy CEO), the Shire should develop and implement a Compliance Schedule to ensure regulatory timeframes are met.</p> | | | <p>from the ERA regarding this matter.</p> | |
| <p>1.6 (item 44)</p> | <p>Notification of Changes to Asset Management System</p> <p>The audit confirmed with the Shire's CEO that during the audit period, the Authority was advised about the completion of the ponds at Nyabing in the letter dated 10 May 2010. This was acknowledged by the Authority in the letter to the Shire dated 21 May 2010.</p> <p>However, the Compliance Document certifying that the works were constructed in accordance with the conditions of Works Approval 4526/2009/1 and as per construction drawings was signed by the Project Manager on 24 November 2009. As such the 10 business day timeframe for notifying the Authority of any change to the asset management system, was not met.</p> <p>The requirement to notify the Authority of any</p> | <p>Medium</p> | <p>a) Update the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within 10 business days.</p> <p>b) Note in the Compliance Schedule, the requirement to notify the Authority of any significant changes to the asset management system within 10 business days.</p> | <p>This situation arose prior to my commencement with the Shire of Kent and I am unable to comment on the specifics of the issue.</p> <p>Clarification of what constitutes a "change to the asset management system" would be welcomed. Does this mean a change to the "system", changes to the assets or both.</p> <p>Do Shires' need to advise the Authority each time a pump is changed or a manhole cover is replaced or that maintenance occurs or</p> | <p>CEO Immediate</p> |

| No. | Issue | Priority (High Medium Low) | Recommendation | Management Response | Person Responsible & Completion Date |
|------------------|---|-------------------------------------|--|--|---|
| | <p>changes to the Shire's asset management system within 10 business days from the date of change is not documented in the Asset Management Plan for Shire of Kent Sewerage Scheme (reviewed September 2009) or anywhere else.</p> <p>Apart from the new ponds at Nyabing, the audit did not identify any other material changes to the asset management system that would require notification to the Authority.</p> | | | <p>inspections take place?</p> <p>These are all asset management system changes in some way.</p> <p><u>Audit comment</u></p> <p>Our understanding is that only 'significant changes' need to be advised to the Authority, such a new dam or extension of the piping to a new subdivision and not maintenance or replacement of pumps, existing piping, etc. Significant changes would also include revision of the Asset Management Plan (not minor revisions such as contact details or extending financials for a year).</p> | |
| 1.7 (item 48) | <p>Performance and Compliance Reporting</p> <p>In accordance with the Water Compliance Reporting Manual May 2011, the Shire is required to submit to the Authority:</p> <ul style="list-style-type: none"> • Annual performance reports no later than 31 July for the reporting year ending 30 June; and • Annual compliance reports by 31 August for the year ending 30 June. | Medium | <p>a) Note in the Compliance Schedule, the due dates for annual Performance and Compliance Reports.</p> <p>b) Ensure that all future Performance and Compliance Reports are submitted to the Authority within the timeframes</p> | Agree on all recommendations. | CEO Immediate |

| No. | Issue | Priority (High Medium Low) | Recommendation | Management Response | Person Responsible & Completion Date |
|-----|--|-------------------------------------|---|---------------------|---|
| | <p>The audit reviewed the Shires Compliance and Performance Reports for the years ending 30 June 2009, 2010 and 2011 and relevant correspondence between the Shire and the Authority and noted the following exceptions:</p> <ul style="list-style-type: none"> • Performance Report for the year ended 30 June 2009 was submitted after the due date (in August 2009). The Authority acknowledged this non-compliance but this was omitted from the Compliance Report for 2010; • Performance Report and Compliance Report for the year ended 30 June 2010 were submitted after the due date (in August and September 2010); • Compliance Report for the year ended 30 June 2011 did not include the late 2010 Compliance Report as a non-compliance until requested by the Authority; and • Performance Report and Compliance Report for the year ended 30 June 2011 were submitted after the due date (in August and September 2011). The Authority acknowledged this non-compliance and it needs to be recorded in the Compliance Report for the year ending 30 June 2012. | | <p>required.</p> <p>c) Keep track of all non-compliances with the licence obligations so that future Compliance Reports are complete.</p> | | |
| 2 | Asset Management System Review | | | | |

| No. | Issue | Priority (High Medium Low) | Recommendation | Management Response | Person Responsible & Completion Date |
|-----|---|-------------------------------------|--|---|---|
| 2.1 | <p>Asset Planning – Lifecycle Costs</p> <p>Lifecycle costs of owning and operating assets should be assessed.</p> <p>The AMP includes the replacement costs and expected life of the main assets of the scheme as at 2009. Annual income for the next 5 years is only shown up to 2007/08 and was not updated.</p> <p>There is no detailed lifecycle costing showing the complete lifecycle costs (capital, operating and maintenance cost) to enable the level of the sewerage reserve to be determined. There is no indication as to whether the current sewerage reserve of \$99,147 at 30 June 2011 is adequate to cover future replacement costs. There are no expense forecasts for the next 5 years. A detailed Annual Capital Investment Budget is being developed as part of the asset management system.</p> | High | Update the Asset Management Plan to show a detailed lifecycle costing of the scheme, the transfer to reserves required to meet future replacement costs; and the annual income and operating and maintenance costs for the next 5 years. This should be based on the detailed data compiled in the asset management system (Excel spreadsheets). | <p>A total review of the asset management information system is under way including recent full pickup of the system, one complete CCTV inspection with a further inspection which will now be completed in 2012/13.</p> <p>The intent is to get a complete picture of the asset condition and plan for its systematic replacement within its estimated lifespan.</p> <p>The asset is in good condition and is being managed well. The two systems combined total approximately 2.5kms of pipework and it is managed by simple inspection regime and the regular replacement of pumps.</p> <p>Ultimately maintenance costs will be incorporated into the Shire's Asset Management Planning and the capital costs of replacement will form part of the Shire's 10 year Forward Capital Works Plan.</p> | CEO 30 April 2013 |

| No. | Issue | Priority (High Medium Low) | Recommendation | Management Response | Person Responsible & Completion Date |
|-----|--|-------------------------------------|---|--|---|
| 2.2 | <p>Asset Planning – Review</p> <p>Plans should be regularly reviewed and updated.</p> <p>The AMP has not been reviewed since September 2009 and at that date parts of the plan such as the financial projections were not updated.</p> | High | Review the Asset Management Plan in April of each year as part of the development of the annual Shire budget for the following year. This should include the risk assessment, financial data, contingency plans and any other areas that may have changed. A complete revision of the plan should be done at least every 5 years or if major changes to the scheme occur. | As explained earlier the Shire is undertaking a significant review of the entire system which also includes the future replacement of various parts. The Asset Management Plan for the whole of the Shire's assets will be reviewed annually from the time of its completion in 2012/13. | CEO 30 April 2013 |
| 2.3 | <p>Asset Creation/Acquisition</p> <p>Ongoing legal/environmental/safety obligations of the asset owner should be assigned and understood.</p> <p>Section 5 of the AMP outlines the legislative requirements, although this section needs to be updated for the current operating licence issued in 2009.</p> <p>The Health Act, Environmental Protection and Occupational Health, Safety and Welfare are briefly considered. The Nyabing pond is registered with the Department of Environment. The Pingrup pond is smaller and does not need to be registered.</p> | Medium | Update the Asset Management Plan for the new operating licence issued in 2009 and to note the registration of the Nyabing pond with the Department of the Environment. | Apart from regularly purchasing pumps, there has been no creation of assets beyond the replacement of the original pond. The Asset Management Plan will be updated accordingly. | CEO 30 April 2013 |
| 2.4 | <p>Asset Operations</p> | High | a) Complete the updating of the asset management information | The overall asset is accounted for in the Shire of | CEO |

| No. | Issue | Priority (High Medium Low) | Recommendation | Management Response | Person Responsible & Completion Date |
|-----|--|-------------------------------------|---|---|--|
| | <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>Physical parameters for the assets are recorded in the "As constructed" drawings (PDF copies are also kept). The AMP provides a summary description of each installation within the scheme. The current review of the system being carried out by Shire staff will improve the level of documentation. A detailed listing of assets is being created in the asset management information system.</p> | | <p>system (Excel spreadsheets) for the scheme's assets, including the condition assessment.</p> <p>b) Review the asset condition on an annual basis (not necessarily CCTV) and update any changes in the asset management information system.</p> | <p>Kent's financial asset register.</p> <p>Copies of plans and drawings are kept with a recent pickup of the entire system being an integral part of the management of the physical asset.</p> <p>Asset operation is monitored by senior staff and others who have the skill and knowledge to do so.</p> <p>A second CCTV inspection of the scheme within the last two years will provide a basis for the opinion of the longevity of the asset in its current form and the basis of a replacement regime.</p> <p>The asset management information system needs to be completed by the end of the 2012/13 financial year for Dept of Local Government requirements and the sewerage asset management information system will be based upon their requirements.</p> <p>The condition assessment will</p> | <p>Assets exist within the Shire Asset Register and the Sewerage Specific Asset Management Plan will be complete by 30 April 2013 along with the inclusion of sewerage into the Shire's overall asset management plan.</p> |

| No. | Issue | Priority (High Medium Low) | Recommendation | Management Response | Person Responsible & Completion Date |
|-----|--|-------------------------------------|--|---|--|
| | | | | be a periodic exercise undertaken as required by the need to budget for the planned replacement of the asset. | |
| 2.5 | <p>Asset Maintenance</p> <p>Maintenance plans (emergency, corrective and preventative) should be documented and completed on schedule.</p> <p>A comprehensive Routine Maintenance Plan has been included in the AMP. The maintenance schedule specifies maintenance tasks to be carried out and the intervals at which they need to be done. It provides a checklist of maintenance tasks but is reliant on the knowledge and ability of the person performing the maintenance to carry them out satisfactorily.</p> <p>The unforeseen maintenance tasking is instigated by a telephone call-out system to the Shire Work's Manager, who attends the site, assesses the requirements and arrange the immediate and follow-up actions and activities.</p> <p>The procedures for the periodic inspection and maintenance of the assets are to be incorporated in the new asset management system (Excel spreadsheets). Evidence of their completion needs to be retained in the database.</p> | Medium | Include the maintenance procedures, scheduling and responsibility in the asset management information system including a record of their completion. | <p>As the system is not complicated or large, basic maintenance procedures are currently undertaken.</p> <p>Regular replacement of pumps regular inspections of Pipes and ponds are currently undertaken.</p> <p>In developing an asset management policy and procedures, this item will largely be dealt with.</p> | <p>CEO</p> <p>Whole of Shire Asset Management Plan by 30 April 2013 including Sewerage</p> |

| No. | Issue | Priority (High Medium Low) | Recommendation | Management Response | Person Responsible & Completion Date |
|-----|---|-------------------------------------|---|---------------------|--|
| 2.6 | <p>Risk Management</p> <p>Risk management policies and procedures should exist and be applied to minimise internal and external risks associated with the asset management system.</p> <p>There is no Risk Assessment policy and procedures outlined in the Asset Management Plan and no detailed risk register.</p> | Medium | Update the Asset Management Plan to include a risk assessment policy and procedure, and implement this by updating the detailed risk register for licence conditions and asset failures, in the asset management system (Excel spreadsheet). | Agreed | CEO 30 April 2013 within the Shire's overall Asset Management Plan. |
| 2.7 | <p>Contingency Planning</p> <p>Contingency plans should be documented, understood and tested to confirm their operability and to cover higher risks.</p> <p>Key staff have an understanding of unwritten procedures, such as the calling of a plumber in the case of a pipe blockage, or an electrician in the case of a pump failure.</p> <p>However, a formal Contingency Plan has not been developed.</p> | Medium | <p>a) Based on the recommended risk assessment, a set of contingency plans or emergency procedures should be developed by the Shire to cover situations identified in the risk assessment as being a major or significant risk. For example bushfire affecting ponds or reticulation equipment; reticulation pump or electrical failure; extreme rainfall events/water overflows from the ponds; pipeline burst or blockages etc.</p> <p>The contingency plans should include:</p> <ul style="list-style-type: none"> o Detailed procedures o Key local contact details – name, | Agreed | CEO/Works Mgr 30 April 2013 |

| No. | Issue | Priority (High Medium Low) | Recommendation | Management Response | Person Responsible & Completion Date |
|-----|---|-------------------------------------|---|--|---|
| | | | <ul style="list-style-type: none"> ○ number and location ○ Communication protocols ○ Specifications, location and availability of emergency equipment ○ Authorities that need to be contacted and when. <p>b) Once developed, the contingency plans should be reviewed and tested on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency.</p> | | |
| 2.8 | <p>Review of Asset Management System</p> <p>A review process should be in place to ensure that the asset management plan and the asset management system described therein are kept current.</p> <p>The Shire's Asset Management Plan was reviewed in September 2009 but some parts were not updated. The complete system of plans, policies and procedures and the asset management</p> | Medium | <p>a) Include in the Asset Management Plan, a Monitoring and Review Procedures section for the annual review and update of the Plan and revision at least every 5 years;</p> <p>b) Modify the "Document Status" table to include a brief</p> | <p>A total review of the asset is under way including recent full pickup of the system, one complete CCTV inspection with a further inspection which will now be completed in 2012/13.</p> <p>The intent is to get a complete picture of the asset condition</p> | <p>CEO</p> <p>30 April 2013</p> |

| No. | Issue | Priority (High Medium Low) | Recommendation | Management Response | Person Responsible & Completion Date |
|-----|---|-------------------------------------|--|---|---|
| | <p>information system have not been reviewed.</p> <p>The Shire is currently revising the asset management system including implementing a database. The Authority was notified of progress in Post Audit Implementation Plan updates.</p> <p>The AMP (September 2009) does not include any procedures for the regular review and update of the plan; or the requirement to notify the Authority of any changes to the asset management system within 10 business days.</p> <p>The AMP does not have any Document Control Form that outlines the revision number, the author, the reviewer, and who approved the AMP for issue and when. The users of the AMP could benefit from a brief description of changes to the document from the previous version.</p> | | <p>description of changes to the document from the previous version.</p> | <p>and plan for its systematic replacement within its estimated lifespan.</p> <p>The asset is in good condition and is being managed well. The two systems combined total approximately 2.5kms of pipework and it is managed by simple inspection regime and the regular replacement of pumps.</p> <p>Following the review a full rewrite of the AMP will take place.</p> | |

END OF REPORT