

**Shire of Denmark**

**Operational Audit and Asset Management System Review**

**Audit Report**

**29<sup>th</sup> October 2012**



*Liability limited by a scheme approved under Professional Standards Legislation.*

**Perth**

Level 5, 160 St Georges Terrace  
Perth Western Australia 6000  
GPO Box 2753 PERTH WA 6001  
Telephone: +61 8 9476 3144  
Facsimile: +61 8 9476 3188

**Melbourne**

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

**Sydney**

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

Paxon Business and Financial Services Pty Ltd ABN 60 148 950 168

[www.paxongroup.com.au](http://www.paxongroup.com.au)

## Table of Contents

1	EXECUTIVE SUMMARY.....	4
1.1	Background.....	4
2	OPERATIONAL AUDIT.....	5
2.1	Overview .....	5
2.1.1	Summary of Opinion on the Control Environment .....	5
2.1.2	Overall Assessment.....	5
2.1.3	Actions Taken on Previous Post-Audit Plan.....	5
2.1.4	Post Audit Implementation Plan .....	5
2.1.5	Summary of Issues and Recommendations .....	6
2.2	Objectives and Scope.....	13
2.3	Methodology.....	13
2.3.1	Fieldwork.....	13
2.3.2	Audit Reporting.....	14
2.4	Time Period Covered in Audit .....	14
2.5	Time Period of Audit .....	14
2.6	Licensee’s Representatives .....	14
2.7	Key Documents and Other Information Sources .....	14
2.8	Licensee’s Response to Previous Audit Recommendations.....	16
2.9	Performance Summary .....	19
2.9.1	Compliance Rating Scale .....	19
2.9.2	Operational Audit Compliance Summary .....	20
2.9.3	Observations and Recommendations .....	24
3	ASSET MANAGEMENT SYSTEM REVIEW .....	44
3.1	Introduction.....	44
3.2	Objectives and Scope.....	45
3.3	Key Documents Inspected During the Review .....	46
3.4	Time Period Covered in Review .....	46
3.5	Time Period of Review .....	46
3.6	Licensee’s Representatives .....	47
3.7	Post Review Implementation Plan .....	47
3.8	Licensee’s Response to Previous Review Recommendations.....	48
3.9	Summary of Issues and Recommendations.....	50

3.10	Asset Management Process and Policy Definition Adequacy Ratings .....	63
3.10.1	Asset Management Effectiveness Summary.....	65
3.11	Observations and Recommendations .....	66
3.12	Conclusions.....	78
4	AUDITOR INFORMATION.....	79
4.1	Audit/Review Team Members and Hours Utilised .....	79
5	SIGNATURE OF AUDITOR .....	80

# 1

## Executive Summary

### 1.1 Background

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

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

The Authority, established under the *Economic Regulation Authority Act 2003*, granted a Water Services Operating Licence (“Operating Licence”) to the Shire of Denmark (the “Shire”) for the provision of Non-Potable Water Supply Services in areas as stipulated in Schedule 2 of the Operating Licence. The Operating Licence was granted to the Shire on the 30<sup>th</sup> May 2005 and was last amended on 21 December 2010.

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

The audit covered the period from 1 June 2009 to 31 May 2012.

# 2

## Operational Audit

### 2.1 Overview

#### 2.1.1 Summary of Opinion on the Control Environment

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

#### 2.1.2 Overall Assessment

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

#### 2.1.3 Actions Taken on Previous Post-Audit Plan

The previous audit was conducted by Quantum in 2009. A number of recommendations were made in respect of the operational audit undertaken. With one exception, all of these issues are still outstanding.

#### 2.1.4 Post Audit Implementation Plan

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

## 2.1.5 Summary of Issues and Recommendations

Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
<p>Cl. 5 and Cl.21.1</p>	<ul style="list-style-type: none"> <li>▪ The Annual Performance Report for the year ending 30 June 2010 was submitted late, as referred to in the Authority's letter to the Shire dated 12 August 2010;</li> <li>▪ This letter states: <i>"Failure to provide the performance report by the due date is a non-compliance with Schedule 5, clause 2.1 of the Shire's licence, and this item should be included in the compliance report for the year ending 30 June 2011."</i>;</li> <li>▪ However, the Annual Compliance Report for the year ending 30 June 2011 states: <i>"The Shire of Denmark committed no breaches of the conditions of Water Services Licensing Act Licence No 39 during the period 1 July 2010 to 30 June 2011."</i>;</li> <li>▪ The Annual Compliance Report for the year ending 30 June 2010 was submitted late, as referred to in the Authority's letter to the Shire dated 16 September 2010;</li> <li>▪ This letter states: <i>"The due date for the annual compliance report was 31 August 2010. Failure to provide the compliance report to the Authority by the due date is a non-compliance with the licence and this item should be included in the compliance report for the year ending 30 June 2011."</i>;</li> <li>▪ As indicated above, the Annual Compliance Report for the year ending 30 June 2011</li> </ul>	<ul style="list-style-type: none"> <li>▪ An appropriate record (Compliance Schedule) should be kept of all disclosure and reporting requirements stipulated in the Operating Licence. This schedule should disclose the following information:               <ul style="list-style-type: none"> <li>▪ Operating Licence reference;</li> <li>▪ Compliance requirement;</li> <li>▪ Frequency of action specified;</li> <li>▪ (Next) due date;</li> <li>▪ Responsible officer; and</li> <li>▪ Notes.</li> </ul> </li> <li>▪ Responsibility for continually updating the compliance schedule should be allocated to a specific person who should pro-actively pursue it; and</li> <li>▪ In addition, a proper record of all instances of non-compliance with Operating Licence conditions should be kept and be appropriately included in the applicable Annual Compliance Report forwarded to the Authority.</li> </ul>	<p>A compliance schedule will be created and compliance tracked.</p>	<p>The Director of Community and Regulatory Services (DCRS) will implement by June 2013.</p>

Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
	<p>indicated that no breaches of the Operating Licence occurred during the 2010/2011 reporting period;</p> <ul style="list-style-type: none"> <li>▪ The Annual Performance Report for the year ending 30 June 2011 was submitted late, as referred to in the Authority's letter to the Shire dated 16 August 2011;</li> <li>▪ This letter states: <i>"As the performance report was submitted after the due date, it will need to be recorded as a non-compliance with Schedule 5, Clause 2.1 in the compliance report for the year ending 30 June 2012."</i>;</li> <li>▪ The Annual Compliance Report for the year ending 30 June 2012 does contain a reference to this breach;</li> <li>▪ The Annual Compliance Report for the year ending 30 June 2011 was submitted late, as referred to in the Authority's letter to the Shire dated 13 September 2011;</li> <li>▪ This letter states: <i>"As the report was submitted after the due date, it will need to be recorded as a non-compliance with Schedule 5, clause 2.1 of the licence in the compliance report for the year ending 30 June 2012."</i>;</li> <li>▪ The Annual Compliance Report for the year ending 30 June 2012 does not disclose the late submission of the 2011 Annual Compliance Report as a breach of its Operating Licence conditions; and</li> <li>▪ The Annual Compliance Report for the year ending 30 June 2012 was submitted late.</li> </ul>			

Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
Cl. 6.1	<ul style="list-style-type: none"> <li>▪ The Shire states in paragraph 1.8 of the 'Customer Service Charter for Water Supply Services - February 2009' (Customer Service Charter): <i>"The Shire of Denmark maintains a 24-hour emergency contact service for emergency events.";</i></li> <li>▪ Details of four contact persons and their telephone numbers are disclosed for emergency assistances purposes in paragraph 1.8 of the Customer Service Charter; and</li> <li>▪ However, no details of emergency assistance contact persons and their telephone numbers are disclosed on the Shire's website.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The details of emergency assistance contact persons and their telephone numbers should be prominently disclosed on the Shire's website.</li> </ul>	<p>The Customer Services Charter is displayed on the website and the website can be amended to show the contact number directly as requested. This measure however will be of little benefit to the Peaceful Bay water supply customers as it is a holiday area and people do not readily access the internet. The normal practice is that they report faults/questions to their Progress Association Representative.</p> <p>The need for this will be elevated by placing the Customer Service Charter on sign at Peaceful Bay.</p>	<p>The Director of Community and Regulatory Services (DCRS) will amend the website by June 2013.</p>
Cl. 6 & Sch. 3: Cl. 3.1 and Cl. 3.9 (a)	<ul style="list-style-type: none"> <li>▪ The Shire states in paragraph 2.7 of the Customer Service Charter:               <ul style="list-style-type: none"> <li>▪ <i>"A representative of the Shire of Denmark will respond in person within 2 business days of a complaint being lodged.";</i> and</li> <li>▪ <i>"Pursuant to its licence, the Shire of Denmark must resolve complaints within 15 business days.";</i></li> </ul> </li> <li>▪ The Shire does not have a customer complaints procedure manual in place;</li> <li>▪ Complaints received from customers are recorded, within Synergy Soft, as 'incoming correspondence' in the individual customer's file. However, it is not differentiated from other customer communication received. No exception report is currently produced to track such customer complaints; and</li> <li>▪ The Shire does not have a complaints register</li> </ul>	<ul style="list-style-type: none"> <li>▪ A customer complaints procedure manual should be compiled and implemented. This manual should address, as a minimum, all the stipulations contained in Schedule 3: Clause 3 to the Operating Licence;</li> <li>▪ Customer complaints registration forms should be introduced which record appropriate detail of complaints received. These forms should be sequentially numbered and separately filed to help provide an audit trail in respect of complaints received;</li> <li>▪ Particulars of customer complaints received should be recorded in a complaints register. The following information should be recorded in the register in respect of each complaint:               <ul style="list-style-type: none"> <li>▪ Date and time the complaint was received;</li> <li>▪ Name and contact details for the complainant;</li> </ul> </li> </ul>	<p>The suggested customer complaints procedure manual would be of benefit and will be compiled and implemented.</p>	<p>DCRS will implement by June 2013.</p>



Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
	in place.	<ul style="list-style-type: none"> <li>▪ Name of person who received the complaint;</li> <li>▪ Method of complaint;</li> <li>▪ Details of the complaint;</li> <li>▪ Date and time the complaint was actioned;</li> <li>▪ Details of the action taken;</li> <li>▪ Name of person responsible to resolve the complaint; and</li> <li>▪ Date and time the complaint was resolved.</li> <li>▪ This register should be reviewed on a regular basis by management to ensure the Shire comply with its Operating Licence stipulations in respect of customer complaints.</li> </ul>		
Cl. 6 & Sch. 3: Cl. 3.6	<ul style="list-style-type: none"> <li>▪ As stated above, no complaints procedure manual exists to, amongst others, emphasise the obligations to promptly co-operate with the Department of Water's request during the process of investigation and conciliation of complaints.</li> </ul>	<ul style="list-style-type: none"> <li>▪ As indicated above, a customer complaints procedure manual should be compiled and implemented. This manual should allocate the task to promptly cooperate with the Department of Water's requests, during the process of investigation and conciliation of complaints, to a specific officer.</li> </ul>	The suggested customer complaints procedure manual would be of benefit and will be compiled and implemented.	DCRS will implement by June 2013.
Cl. 6 & Sch. 3: Cl. 3.7	<ul style="list-style-type: none"> <li>▪ As stated above, no complaints procedure manual exists to, amongst others, emphasise the obligations to provide the Department of Water, upon request, with the information stipulated in respect of complaints in this clause.</li> </ul>	<ul style="list-style-type: none"> <li>▪ As indicated above, a customer complaints procedure manual should be compiled and implemented. This manual should allocate the task to provide the Department of Water with the information stipulated in respect of complaints in this clause to a specific officer.</li> </ul>	The suggested customer complaints procedure manual would be of benefit and will be compiled and implemented.	DCRS will implement by June 2013.
Cl. 6 & Sch. 3: Cl. 3.8 and Cl. 3.9 (c)	<ul style="list-style-type: none"> <li>▪ The Customer Service Charter does not contain any reference to matters which must be considered by a Local Government Authority Council.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Customer Service Charter should be amended to include an appropriate reference to matters which must be considered by a Local Government Authority Council.</li> </ul>	The Customer Service Charter was last reviewed with ERA input in June 2012 but this can be added.	DCRS will implement by June 2013.

Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
Cl. 6 & Sch. 3: Cl. 3.9 (b)	<ul style="list-style-type: none"> <li>The Shire states in paragraph 2.7 of the Customer Service Charter: <i>"If you are not satisfied with a solution offered or action taken on a complaint, you may seek referral to the Shire of Denmark's Chief Executive Officer, who will investigate the complaint, assess the appropriateness of the Shire of Denmark's response and either confirm or amend the Shire of Denmark's proposed solution or action."</i></li> </ul>	<ul style="list-style-type: none"> <li>As indicated above, a customer complaints procedure manual should be compiled and implemented. This manual should specifically refer to the:               <ul style="list-style-type: none"> <li>Training of an authorised officer; and</li> <li>Authorisation of an officer to settle customer complaints.</li> </ul> </li> </ul>	The Customer Service Charter was last reviewed with ERA input in June 2012 but this can be added.	DCRS will implement by June 2013.
Cl.7 & Sch.3: Cl. 2.5 (c)	<ul style="list-style-type: none"> <li>The Shire has stated copies of the Customer Service Charter were last send to all customers after the February 2009 update; and</li> <li>Current copies of the Customer Service Charter should have been distributed to all customers by February 2012. The Shire has confirmed the Customer Service Charter was not distributed to customers during the audit period. No agreement was made with the Authority to defer the distribution of the Customer Service Charter beyond the three year period.</li> </ul>	<ul style="list-style-type: none"> <li>The current Customer Service Charter should be distributed to all customers at least once in every three year period.</li> </ul>	The Customer Service Charter was not distributed because it was under review with the ERA which concluded in June 2012 and now as result of this audit is subject to review again. It will be mailed once the review is completed and before June 2013.	DCRS will implement by June 2013.
Cl. 8 & Sch. 3: Cl. 4.1 (b)	<ul style="list-style-type: none"> <li>The Shire states in paragraph 2.2 of the Customer Service Charter: <i>"Community involvement in the Shire of Denmark's service planning and decision making processes will be sought through forums such as focus groups, customer surveys and displays at local functions. The Shire of Denmark will use local media bulletins to advise customers of any system change that may result in a significant variation in its service levels.";</i></li> <li>The Shire does publish a monthly newsletter</li> </ul>	<ul style="list-style-type: none"> <li>A simple newsletter should be published which provides basic information about the Shire's non-potable water supply services.</li> </ul>	This is already achieved by asking the Progress Association to insert items in their newsletter and by attending Peace Bay Progress Association meetings.	Measure will not be implemented as the desired outcome is being achieved.

Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
	<p>entitled: "Council Conversations". This newsletter is included in the 'Denmark Bulletin'. However, the 'Denmark Bulletin' is not distributed to the Shire's customers in Peaceful Bay unless they subscribe to it; and</p> <ul style="list-style-type: none"> <li>The 'Council Conversations' newsletter does not contain any specific information about the Shire's operations and delivery of services.</li> </ul>			
Cl. 17.1	<ul style="list-style-type: none"> <li>The Shire has an asset management plan entitled: "Peaceful Bay Water Supply – 2008 – 2009 – Asset Management Plan"; and</li> <li>This plan was last revised in July 2008.</li> </ul>	<ul style="list-style-type: none"> <li>The Asset Management Plan is updated to account for the current status of assets.</li> </ul>	Agreed the Asset Management Plan needs to be updated to account for the current status of assets.	DCRS will implement by December 2013.
Sch. 4 Cl. 1.1	<ul style="list-style-type: none"> <li>Emergency assistance is covered in both paragraphs 1.8 and 2.7 of the Customer Service Charter. Paragraph 1.8 discloses contact details for emergency assistance. Paragraph 2.7 describes the process followed by the Shire in providing emergency assistance.</li> </ul>	<ul style="list-style-type: none"> <li>Present all information which deals with emergency assistance in paragraph 1.8 of the Customer Service Charter.</li> </ul>	The current Customer Service Charter was prepared in consultation with the ERA and approved in June 2012 but will be amended to reflect this.	DCRS will implement by June 2013.
Sch. 4 Cl. 1.1	<ul style="list-style-type: none"> <li>No details were presented for audit purposes in respect of emergency response provided by the Shire during the 2009 – 2010 reporting period; and</li> <li>No details were presented for audit purposes in respect of customer complaints received by the Shire during the 2009 – 2010 reporting period.</li> </ul>	<ul style="list-style-type: none"> <li>Electronic copies of all Performance Reports compiled and submitted to the Authority should be kept.</li> </ul>	It is agreed that electronic copies of all Performance Reports compiled and submitted to the Authority should be kept.	DCRS will implement by June 2013.
Cl. 21.2 & Sch. 5: Cl. 2.1	<ul style="list-style-type: none"> <li>The Annual Performance Report for the year ending 30 June 2012 complies with the specific performance reporting requirements contained in paragraphs 16 and 19 of the Water Compliance Reporting Manual, except</li> </ul>	<ul style="list-style-type: none"> <li>The Performance Report should disclose the absence of activity for a specific indicator as 'zero' instead of interpreting and disclosing such an absence of activity as being equal to a '100% success rate'.</li> </ul>	The Shire will seek guidance from the ERA as to the correct completion of forms. The forms had been accepted by the ERA who have a corporate culture of questioning any data that is incomplete or that they are not happy with so it was assumed	DCRS will implement by June 2013.

Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
	<p>for the following discrepancies:</p> <ul style="list-style-type: none"> <li>It incorrectly discloses a 100% compliance rating in respect of resolving customer complaints within 15 business days, whilst no customer complaints were recorded during the reporting period; and</li> <li>It incorrectly discloses a 100% compliance rating in respect of emergency response, whilst no emergencies were recorded during the reporting period.</li> </ul>		<p>that they incomplete.</p>	
Sch. 6: Cl. 2.3	<ul style="list-style-type: none"> <li>The Shire's Customer Service Charter does not state the written agreement of a property owner is needed to discontinue a service to a property. Furthermore it makes provision for a number of instances where the Shire may limit or withdraw services, none of which directly deals with commercial viability. (As per paragraphs 2.6 and 3.5 of the Customer Service Charter.)</li> </ul>	<ul style="list-style-type: none"> <li>The Customer Service Charter is appropriately changed to state the Shire may, with the written agreement of the property owner, discontinue a service to a property where the servicing of the property is not commercially viable.</li> </ul>	<p>This is not relevant as the supply services an area defined by the leasehold holiday lot area which cannot grow and can intensify in development and all of the connection that will be needed have been provided. I addition to this no one property is any less "viable" than the others.</p> <p>Having said this, the clause will be added to the Customer Service Charter with some reservation as it will confuse some lease holders.</p>	<p>DCRS will implement by June 2013.</p>

---

## 2.2 Objectives and Scope

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

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

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

The scope of the audit covered the following areas:

- **Risk Assessment** – the risks imposed by non-compliance with the licence standards and development of a risk-based audit plan to focus on the higher risks areas, with less intensive coverage of medium and low risk areas;
- **Process Compliance** – the effectiveness of systems and procedures in place throughout the audit period, including the adequacy of internal controls;
- **Outcome Compliance** – the actual performance against standards prescribed in the licence throughout the audit period;
- **Output Compliance** – the existence of output from systems and procedures throughout the audit period (that is, proper records exist to provide assurance that procedures are being consistently followed and controls are being maintained);
- **Integrity of Reporting** – the completeness and accuracy of the compliance and performance reports provided to the Authority; and
- **Compliance with any individual licence conditions** – the requirements imposed on the specific licensee by the Authority or specific issues that are advised by the Authority.

## 2.3 Methodology

### 2.3.1 Fieldwork

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

### 2.3.2 Audit Reporting

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

## 2.4 Time Period Covered in Audit

The audit covered the period from 1 June 2009 to 31 May 2012. The previous audit covered the period from 1 June 2007 to 31 May 2009.

## 2.5 Time Period of Audit

The audit was conducted from 18 September 2012 to 19 September 2012.

## 2.6 Licensee's Representatives

Shire of Denmark primary contact was as follows:

Staff	Position
Mr. Gregg Harwood	Director of Community and Regulatory Services

## 2.7 Key Documents and Other Information Sources

- Audit Guidelines: Electricity, Gas and Water Licences (August 2010);
- Water Compliance Reporting Manual (July 2012);
- Operating Licence – Licence No 39 – Shire of Denmark (21 December 2010);
- Shire of Denmark - Operational Audit and Asset Management System Review 2009 (Water Licence), Final Report, December 2009;
- Plan No. OWR-OA-294 (Peaceful Bay Operating Area);
- Shire of Denmark – Customer Service Charter for Water Supply Services (February 2009);
- Shire of Denmark – Annual Report – 2009/2010;

- 
- Shire of Denmark – Annual Report – 2010/2011;
  - Newman Wastewater Scheme Operations Manual (Rev E);
  - Shire of Denmark - Compliance Reports (2009/2010, 2010/2011 and 2011/2012);
  - Peaceful Bay Water Supply – 2008-2009 Asset Management Plan;
  - Shire of Denmark - Water Compliance Manual Datasheets (2010/2011 and 2011/2012); and
  - Communication received from the Authority (over audit period).

## 2.8 Licensee’s Response to Previous Audit Recommendations

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved/ Unresolved
Cl. 17.2	<ul style="list-style-type: none"> <li>Update the Review Procedures section of the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within the required timeframe; and</li> <li>Develop and implement a compliance schedule and note the required timeframes for the notification of the asset management system changes to the Authority to ensure regulatory timeframes are met. The compliance schedule will also help to meet regulatory timeframes by replacement staff if current staff were unavailable.</li> </ul>	<ul style="list-style-type: none"> <li>The Shire has an asset management plan entitled: “Peaceful Bay Water Supply – 2008 – 2009 – Asset Management Plan”;</li> <li>This plan was last revised in July 2008; and</li> <li>The Shire has not compiled and implemented a compliance schedule.</li> </ul>	<ul style="list-style-type: none"> <li>The Asset Management Plan should be appropriately updated to disclose the requirement to notify the Authority of any changes to the asset management system within the required timeframe;</li> <li>An appropriate record (Compliance Schedule) should be kept of all disclosure and reporting requirements stipulated in the Operating Licence. This schedule should disclose the following information: <ul style="list-style-type: none"> <li>Operating Licence reference;</li> <li>Compliance requirement;</li> <li>Frequency of action specified;</li> <li>(Next) due date;</li> <li>Responsible officer; and</li> <li>Notes.</li> </ul> </li> <li>Responsibility for continually updating the compliance schedule should be allocated to a specific person who should pro-actively pursue it.</li> </ul>	Unresolved
Cl. 17.3 and Cl. 16.1	<ul style="list-style-type: none"> <li>Note the Operational Audit and Asset Management System Review due dates in the compliance schedule to ensure regulatory timeframes are met.</li> </ul>	<ul style="list-style-type: none"> <li>The Shire has not compiled and implemented a compliance schedule.</li> </ul>	<ul style="list-style-type: none"> <li>A compliance schedule should be compiled and implemented which discloses the information referred to above.</li> </ul>	Unresolved
Sch. 3: Cl. 3.8	<ul style="list-style-type: none"> <li>The Shire’s complaints procedure as outlined in the Customer Service Charter should be amended at the next Customer Service Charter review to include the provision that if a complaint is received for matter to be considered by a Local Government Council, the</li> </ul>	<ul style="list-style-type: none"> <li>The Customer Service Charter does not contain any reference to matters which must be considered by a Local Government Authority Council. This is notwithstanding amendments to the Shire’s Customer Service Charter which was approved by the Authority</li> </ul>	<ul style="list-style-type: none"> <li>The Customer Service Charter should be amended to include an appropriate reference to matters which must be considered by a Local Government Authority Council.</li> </ul>	Unresolved



Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved/ Unresolved
	customer complaint will be resolved within 5 business days after the first ordinary Council meeting following the expiry of the 15 business day period.	on 26 October 2009 and 19 June 2012.		
Sch.3: Cl. 3.9 (a)	<ul style="list-style-type: none"> <li>▪ Each customer complaint received by the Shire and its outcome should be recorded in a Complaints Register in sufficient detail to be able to ascertain:               <ul style="list-style-type: none"> <li>▪ Date and time the complaint was received;</li> <li>▪ Name of the complainant;</li> <li>▪ Who received the complaint;</li> <li>▪ Method of complaint;</li> <li>▪ Details of the complaint;</li> <li>▪ Time from report of the complaint to action;</li> <li>▪ Details of the action taken;</li> <li>▪ Name of person authorising; and</li> <li>▪ Date/ time responded.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ The Shire does not have a complaints register in place.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Particulars of customer complaints received should be recorded in a complaints register. The following information should be recorded in respect of each complaint:               <ul style="list-style-type: none"> <li>▪ Date and time the complaint was received;</li> <li>▪ Name and contact details for the complainant;</li> <li>▪ Name of person who received the complaint;</li> <li>▪ Method of complaint;</li> <li>▪ Details of the complaint;</li> <li>▪ Date and time the complaint was actioned;</li> <li>▪ Details of the action taken;</li> <li>▪ Name of person responsible to resolve the complaint; and</li> <li>▪ Date and time the complaint was resolved.</li> </ul> </li> <li>▪ This register should be reviewed on a regular basis by management to ensure the Shire comply with its Operating Licence stipulations in respect of customer complaints.</li> </ul>	Unresolved
Sch. 3: Cl. 3.6 & Cl. 3.7	<ul style="list-style-type: none"> <li>▪ The Shire's Complaints Procedure as outlined in the Customer Service Charter should be amended at the next Customer Service Charter review to include the provision that if a request for information about a complaint is received from a Government body, this request will be</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Shire's 'Customer Service Charter for Water Supply Services - June 2012' does state the Shire will promptly respond to requests from government agencies for information in regard to complaints made about supply or Council operations; and</li> </ul>	<ul style="list-style-type: none"> <li>▪ No further action is required.</li> </ul>	Resolved

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved/ Unresolved
	complied with.	<ul style="list-style-type: none"> <li>The Authority approved this version of the Customer Service Charter on 19 June 2012.</li> </ul>		
Sch. 3: Cl. 2.5	<ul style="list-style-type: none"> <li>The Shire to keep a copy of the Customer Service Charter on display in the Shire's reception area along with the other information brochures that are available for visitors;</li> <li>The Shire to send a current copy of the Customer Service Charter, or a summary document as approved by the Authority, to all customers; and</li> <li>Note the licence requirement to send a current copy of the Customer Service Charter to all customers at least once in every 3 year period in the compliance schedule to ensure regulatory timeframes will be met.</li> </ul>	<ul style="list-style-type: none"> <li>Audit noted copies of the 'Customer Service Charter for Water Supply Services - June 2012' are available in the reception area in the Shire's offices;</li> <li>The Shire has stated copies of the Customer Service Charter were last send to all customers after the February 2009 update. Current copies of the Customer Service Charter should have been distributed to all customers by February 2012. The Shire has confirmed the Customer Service Charter was not distributed to customers during the audit period. No agreement was made with the Authority to defer the distribution of the Customer Service Charter beyond the three year period; and</li> <li>The Shire has not compiled and implemented a compliance schedule.</li> </ul>	<ul style="list-style-type: none"> <li>The current Customer Service Charter should be distributed to all customers at least once in every three year period; and</li> <li>The Shire should compile and implement a compliance schedule which discloses the information referred to above.</li> </ul>	Unresolved
Sch. 3: Cl. 2.6	<ul style="list-style-type: none"> <li>Note the timeframes required for review of the Customer Service Charter in the compliance schedule to ensure regulatory timeframes are met.</li> </ul>	<ul style="list-style-type: none"> <li>The Shire has not compiled and implemented a compliance schedule.</li> </ul>	<ul style="list-style-type: none"> <li>A compliance schedule should be compiled and implemented which discloses the information referred to above.</li> </ul>	Unresolved
Cl. 18.1	<ul style="list-style-type: none"> <li>Note the reporting requirements and their reporting timeframe in the compliance schedule to ensure regulatory timeframes will be met in case of a reporting event in future.</li> </ul>	<ul style="list-style-type: none"> <li>The Shire has not compiled and implemented a compliance schedule.</li> </ul>	<ul style="list-style-type: none"> <li>A compliance schedule should be compiled and implemented which discloses the information referred to above.</li> </ul>	Unresolved

## 2.9 Performance Summary

### 2.9.1 Compliance Rating Scale

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

## 2.9.2 Operational Audit Compliance Summary

Operating Area	Operating Licence Reference (Cl. = clause, Sch. = schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=unlikely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 2.9.3 for details)						
						1	2	3	4	5	N/A	N/R
Grant of Licence	Cl.2 and Sch. 1 & Sch. 2	1	C	L	S					✓		
Term	Cl.3	1	C	L	S							✓
Fees	Cl.4	1	C	L	S						✓	
Compliance	Cl.5	3	C	H	S		✓					
Customer Complaints	Cl.6 and Sch.3:	2	B	M	S			✓				

Operating Area	Operating Licence Reference (Cl. = clause, Sch. = schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=unlikely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 2.9.3 for details)						
						1	2	3	4	5	N/A	N/R
	Cl.3											
Customer Service Charter	Cl.7 and Sch.3: Cl.2	2	C	M	S			✓				
Customer Consultation	Cl.8 and Sch.3: Cl.4	2	C	M	S				✓			
Customer Contracts	Sch.3: Cl.5	2	C	M	S							✓
Customer Surveys	Sch.3: Cl.6	1	C	L	S							✓
Transfer of Licence	Cl.10	N/A										✓

Operating Area	Operating Licence Reference (Cl. = clause, Sch. = schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=unlikely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 2.9.3 for details)										
						1	2	3	4	5	N/A	N/R				
Cancellation of Licence	Cl.11	The Authority has the ability to independently assess compliance if the clause is exercised during the audit period.											✓			
Surrender of Licence	Cl.12															✓
Renewal of Licence	Cl.13															✓
Amendment of Licence	Cl.14													✓		
Accounting Records	Cl.15	3	B	H	S					✓						
Operational Audit	Cl.16	1	C	L	S					✓						
Asset Management System	Cl.17	3	B	H	S				✓							
Reporting	Cl.18	1	C	L	S								✓			
Individual Performance Standards	Cl.19	3	B	H	S								✓			

Operating Area	Operating Licence Reference (Cl. = clause, Sch. = schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=unlikely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 2.9.3 for details)						
						1	2	3	4	5	N/A	N/R
Service and Performance Standards	Cl.20 and Sch.4	3	B	H	S			✓				
Provision of Information	Cl.21.1	3	A	H	S		✓					
Information Requirements (Reporting)	Cl.21.2 and Sch.5	1	C	L	S			✓				
Publishing Information	Cl.22	1	C	L	S							✓
Notices	Cl.23	1	C	L	S							✓
Review of the Authority's Decisions	Cl.24	1	C	L	S							✓
Other Provisions	Sch.6: Cl.2 & Cl.3	3	B	H	S			✓				

### 2.9.3 Observations and Recommendations

Operating Area	Operating Licence Reference	Systems, Processes and Controls In place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Grant of Licence	Clause 2 & Schedules 1 and 2	<ul style="list-style-type: none"> <li>▪ A licence was awarded by the Economic Regulation Authority (Authority) to the Shire of Denmark (Shire) for the provision of non-potable water supply services. The licence:                             <ul style="list-style-type: none"> <li>▪ Commenced on 30 May 2005; and</li> <li>▪ Expires on 31 May 2031.</li> </ul> </li> <li>▪ The Shire has stated in paragraph 2.1 of the 'Customer Service Charter for Water Supply Services - February 2009' (Customer Service Charter):                             <p><i>"Subject to the Water Acts, the Shire of Denmark will provide a service of non-potable water supply under the terms set out in this Charter and the Operating Licence."</i></p> </li> <li>▪ The Shire has stated it only provides non-potable water supply services to customers within the operating area;</li> <li>▪ Plan number: OWR-OA-294 is indicated as the operating area for the provision of non-potable water supply services; and</li> <li>▪ The Shire provided a copy of Plan number: OWR - OA - 294, as approved by the Authority for audit purposes.</li> </ul>	<ul style="list-style-type: none"> <li>▪ No recommendation is made.</li> </ul>	5
Term	Clause 3	<ul style="list-style-type: none"> <li>▪ The Shire has stated the Operating Licence was not cancelled during the audit period;</li> <li>▪ The Shire has stated the Operating Licence was not surrendered during the audit period; and</li> </ul>	<ul style="list-style-type: none"> <li>▪ No recommendation is made.</li> </ul>	N/R



Operating Area	Operating Reference Licence	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<ul style="list-style-type: none"> <li>The licence awarded for the provision of non-potable water supply services expires on 31 May 2031.</li> </ul>		
Fees	Clause 4	<ul style="list-style-type: none"> <li>The Shire has stated no fees are payable in respect of the water licence.</li> </ul>	<ul style="list-style-type: none"> <li>No recommendation is made.</li> </ul>	N/A
Compliance	Clause 5	<ul style="list-style-type: none"> <li>The Shire is required to comply with the Water Services Licensing Act 1995 (WA);</li> <li>Key legislative requirements are incorporated into the Operating Licence held by the Shire. Therefore, by complying with the licence requirements, the Shire will comply with the key requirements of the applicable legislation;</li> <li>The Shire acknowledges its obligations to comply with applicable legislation. The Shire has stated in paragraph 2.1 of the Customer Service Charter: <i>“Subject to the Water Acts, the Shire of Denmark will provide a service of non-potable water supply under the terms set out in this Charter and the Operating Licence.”</i>;</li> <li>The Annual Performance Report for the year ending 30 June 2010 was submitted late, as referred to in the Authority’s letter to the Shire dated 12 August 2010;</li> <li>This letter states: <i>“Failure to provide the performance report by the due date is a non-compliance with Schedule 5, clause 2.1 of the Shire’s licence, and this item should be included in the compliance report for the year ending 30 June 2011.”</i>;</li> <li>However, the Annual Compliance Report for the year ending 30 June 2011 states: <i>“The Shire of Denmark committed no breaches of the conditions of Water Services Licensing Act</i></li> </ul>	<ul style="list-style-type: none"> <li>An appropriate record (Compliance Schedule) should be kept of all disclosure and reporting requirements stipulated in the Operating Licence. This schedule should disclose the following information: <ul style="list-style-type: none"> <li>Operating Licence reference;</li> <li>Compliance requirement;</li> <li>Frequency of action specified;</li> <li>(Next) due date;</li> <li>Responsible officer; and</li> <li>Notes.</li> </ul> </li> <li>Responsibility for continually updating the compliance schedule should be allocated to a specific person who should pro-actively pursue it; and</li> <li>In addition, a proper record of all instances of non-compliance with Operating Licence conditions should be kept and be appropriately included in the applicable Annual Compliance Report forwarded to the Authority.</li> </ul>	2

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p><i>Licence No 39 during the period 1 July 2010 to 30 June 2011.</i>”;</p> <ul style="list-style-type: none"> <li>▪ The Annual Compliance Report for the year ending 30 June 2010 was submitted late, as referred to in the Authority’s letter to the Shire dated 16 September 2010;</li> <li>▪ This letter states: <i>“The due date for the annual compliance report was 31 August 2010. Failure to provide the compliance report to the Authority by the due date is a non-compliance with the licence and this item should be included in the compliance report for the year ending 30 June 2011.”;</i></li> <li>▪ As indicated above, the Annual Compliance Report for the year ending 30 June 2011 indicated that no breaches of the Operating Licence occurred during the 2010/2011 reporting period;</li> <li>▪ The Annual Performance Report for the year ending 30 June 2011 was submitted late, as referred to in the Authority’s letter to the Shire dated 16 August 2011;</li> <li>▪ This letter states: <i>“As the performance report was submitted after the due date, it will need to be recorded as a non-compliance with Schedule 5, Clause 2.1 in the compliance report for the year ending 30 June 2012.”;</i></li> <li>▪ The Annual Compliance Report for the year ending 30 June 2012 does contain a reference to this breach;</li> <li>▪ The Annual Compliance Report for the year ending 30 June 2011 was submitted late, as referred to in the Authority’s letter to the Shire dated 13 September 2011;</li> </ul>		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<ul style="list-style-type: none"> <li>▪ This letter states:  <i>“As the report was submitted after the due date, it will need to be recorded as a non-compliance with Schedule 5, clause 2.1 of the licence in the compliance report for the year ending 30 June 2012.”;</i></li> <li>▪ The Annual Compliance Report for the year ending 30 June 2012 does not disclose the late submission of the 2011 Annual Compliance Report as a breach of its Operating Licence conditions;</li> <li>▪ The Annual Performance Report for the year ending 30 June 2012 was submitted on time; and</li> <li>▪ The Annual Compliance Report for the year ending 30 June 2012 was submitted late.</li> </ul>		
Customer Complaints	Clause 6 and Schedule 3: Clause 3	<ul style="list-style-type: none"> <li>▪ The Shire has implemented the following customer complaints processes:               <ul style="list-style-type: none"> <li>▪ Emergency Assistance; and</li> <li>▪ Complaints and dispute resolution.</li> </ul>               (As per paragraphs 1.8 and 2.7 of the Customer Service Charter);             </li> <li>▪ The Shire has stated in paragraph 1.8 of the Customer Service Charter:  <i>“The Shire of Denmark maintains a 24-hour emergency contact service for emergency events.”;</i> </li> <li>▪ Details of four contact persons and their telephone numbers are disclosed for emergency assistances in paragraph 1.8 of the Customer Service Charter;</li> <li>▪ However, no details of emergency assistance contact persons and their telephone numbers are disclosed on the Shire’s website;</li> <li>▪ The Shire has stated in paragraph 2.7 of the Customer Service Charter:               <ul style="list-style-type: none"> <li>▪ <i>“A representative of the Shire of Denmark will respond in person within 2 business days of a</i></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ The details of emergency assistance contact persons and their telephone numbers should be prominently disclosed on the Shire’s website;</li> <li>▪ A customer complaints procedure manual should be compiled and implemented. This manual should address, as a minimum, all the stipulations contained in Schedule 3: Clause 3 to the Operating Licence;</li> <li>▪ Customer complaints registration forms should be introduced which record appropriate detail of complaints received. These forms should be sequentially numbered and separately filed to help provide an audit trail in respect of complaints received;</li> <li>▪ Particulars of customer complaints received should be recorded in a complaints register. The following information should be recorded in the register in respect of each complaint:               <ul style="list-style-type: none"> <li>▪ Date and time the complaint was received;</li> <li>▪ Name and contact details for the complainant;</li> </ul> </li> </ul>	3

Operating Area	Operating Licence Reference	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<p><i>complaint being lodged.”; and</i></p> <ul style="list-style-type: none"> <li>▪ <i>“Pursuant to its licence, the Shire of Denmark must resolve complaints within 15 business days.”;</i></li> <li>▪ The Shire does not have a customer complaints procedure manual in place;</li> <li>▪ Complaints received from customers are recorded, within Synergy Soft, as ‘incoming correspondence’ in the individual customer’s file. However, it is not differentiated from other customer communication received. No exception report is currently produced to track such customer complaints;</li> <li>▪ The Shire does not have a complaints register in place;</li> <li>▪ As per ‘Water Compliance Manual Datasheet – Complaints’:               <ul style="list-style-type: none"> <li>▪ 100% of customer complaints were resolved within 15 business days during the 2010 – 2011 reporting year; and</li> <li>▪ No customer complaints were received during the 2011 – 2012 reporting period.</li> </ul> </li> <li>▪ As stated above, no complaints procedure manual exists to, amongst others, emphasise the obligations to promptly co-operate with the Department of Water’s request during the process of investigation and conciliation of complaints;</li> <li>▪ The Shire stated no complaints were investigated by the Department of Water during the audit period;</li> <li>▪ No complaints procedure manual exists to, emphasise the obligations to provide the Department of Water, upon request, with the information stipulated in this clause in respect of complaints;</li> </ul>	<ul style="list-style-type: none"> <li>▪ Name of person who received the complaint;</li> <li>▪ Method of complaint;</li> <li>▪ Details of the complaint;</li> <li>▪ Date and time the complaint was actioned;</li> <li>▪ Details of the action taken;</li> <li>▪ Name of person responsible to resolve the complaint; and</li> <li>▪ Date and time the complaint was resolved.</li> <li>▪ This register should be reviewed on a regular basis by management to ensure the Shire comply with its Operating Licence stipulations in respect of customer complaints;</li> <li>▪ As indicated above, a customer complaints procedure manual should be compiled and implemented. This manual should allocate the task to promptly cooperate with the Department of Water’s requests, during the process of investigation and conciliation of complaints, to a specific officer;</li> <li>▪ As indicated above, a customer complaints procedure manual should be compiled and implemented. This manual should allocate the task to provide the Department of Water with the information stipulated in respect of complaints in this clause to a specific officer;</li> <li>▪ The Customer Service Charter should be amended to include an appropriate reference to matters which must be considered by a Local Government Authority Council; and</li> <li>▪ As indicated above, a customer complaints procedure manual should be compiled and implemented. This manual should specifically refer to the:</li> </ul>	

Operating Area	Operating Reference	Licence Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<ul style="list-style-type: none"> <li>▪ The Shire stated no requests for information were received from the Department of Water during the audit period;</li> <li>▪ The Customer Service Charter does not contain any reference to matters which must be considered by a Local Government Authority Council; and</li> <li>▪ The Shire has stated in paragraph 2.7 of the Customer Service Charter: <i>"If you are not satisfied with a solution offered or action taken on a complaint, you may seek referral to the Shire of Denmark's Chief Executive Officer, who will investigate the complaint, assess the appropriateness of the Shire of Denmark's response and either confirm or amend the Shire of Denmark's proposed solution or action."</i></li> </ul>	<ul style="list-style-type: none"> <li>▪ Training of an authorised officer; and</li> <li>▪ Authorisation of an officer to settle customer complaints.</li> </ul>	
Customer Service Charter	Clause 7 & Schedule 3: Clause 2	<ul style="list-style-type: none"> <li>▪ The Shire has issued a Customer Service Charter;</li> <li>▪ The Customer Service Charter is prominently disclosed on the 'Council Services' webpage on the Shire's website;</li> <li>▪ The Shire's Customer Service Charter was approved by the Authority, as per their notice dated 3 March 2009;</li> <li>▪ An amendment to the Shire's Customer Service Charter was approved by the Authority, as per their notice dated 26 October 2009;</li> <li>▪ A range of minor amendments to the Shire's Customer Service Charter was approved by the Authority, as per their letter to the Shire dated 19 June 2012;</li> <li>▪ The Customer Service Charter is drafted in 'plain English';</li> <li>▪ The Customer Service Charter is comprehensive;</li> <li>▪ No distinction is made in the Customer Service Charter between classes of customers;</li> </ul>	<ul style="list-style-type: none"> <li>▪ The current Customer Service Charter should be distributed to all customers at least once in every three year period.</li> </ul>	3

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<ul style="list-style-type: none"> <li>▪ The Shire has stated in paragraph 1.3 of the Customer Service Charter:  <i>"...will make the Customer Service Charter available to its customer in the following ways:</i> <ul style="list-style-type: none"> <li>▪ <i>by prominently displaying it in those parts of the Licensee's offices to which Customers regularly have access;</i></li> <li>▪ <i>by providing a copy, upon request, and at no charge, to a customer;</i></li> <li>▪ <i>by advising Customers of the availability of the Customer Service Charter on an annual basis;</i> and</li> <li>▪ <i>by posting the Customer Service Charter on the Council's website.";</i></li> </ul> </li> <li>▪ Audit noted copies of the 'Customer Service Charter for Water Supply Services - June 2012' are available in the reception area in the Shire's offices;</li> <li>▪ The Shire has stated copies of the Customer Service Charter, are provided upon request, and at no charge, to customers;</li> <li>▪ The Shire has stated at present it does not annually inform customers of the availability of the Customer Service Charter;</li> <li>▪ As per paragraph 1.1 of the Customer Service Charter, the document became effective in November 2008 and was updated in February 2009;</li> <li>▪ In terms of the Operating Licence, a current copy of the Customers Service Charter must be distributed to all customers at least once in every three period. The Shire has stated copies of the Customer Service Charter were last send to all customers after the February 2009 update. Current copies of</li> </ul>		

Operating Area	Operating Reference	Licence Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<p>the Customer Service Charter should have been distributed to all customers by February 2012. The Shire has confirmed the Customer Service Charter was not distributed to customers during the audit period. No agreement was made with the Authority to defer the distribution of the Customer Service Charter beyond the three year period;</p> <ul style="list-style-type: none"> <li>▪ A review of the Customer Service Charter was due on the 3<sup>rd</sup> March 2012, as referred to in the Authority's letter to the Shire dated 15 June 2011;</li> <li>▪ This letter granted an extension to the Shire and stated the next review date for the Customer Service Charter is 3 March 2013;</li> <li>▪ The Authority further deferred the next review date for the Customer Service Charter to 3 March 2014, as referred to in their letter to the Shire dated 23 May 2012; and</li> <li>▪ Except for the recommendations made in this document in respect of the 'Operating Areas' of 'Customer Complaints' and the 'Customer Service Charter', the audit concluded the Shire is providing its services in a way which is consistent with the Customer Service Charter.</li> </ul>		
Customer Consultation	Clause 8 & Schedule 3: Clause 4	<ul style="list-style-type: none"> <li>▪ The Shire has stated in paragraph 2.2 of its Customer Service Charter:  <i>"...is committed to involving its customers in issues relating to its programs and services."</i>;</li> <li>▪ No Customer Council was established by the Shire;</li> <li>▪ The Shire has stated in paragraph 2.2 of its Customer Services Charter:  <i>"Community involvement in the Shire of Denmark's service planning and decision making processes will be sought through forums such as focus groups, customer surveys and displays at local</i></li> </ul>	<ul style="list-style-type: none"> <li>▪ A simple newsletter should be published which provides basic information about the Shire's non-potable water supply services.</li> </ul>	4

Operating Area	Operating Reference	Licence Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<p><i>functions. The Shire of Denmark will use local media bulletins to advise customers of any system change that may result in a significant variation in its service levels.</i></p> <p><i>The Shire of Denmark will publish, and make available at its premises, information on matters relating to its water services and on other aspects such as charging and complaints handling. Information regarding these matters can be obtained from the Shire of Denmark's business office.”;</i></p> <ul style="list-style-type: none"> <li>▪ On an annual basis, two ‘Ward Meetings’ are held between the Shire and its customers at Peaceful Bay (Kent Nornalup Ward);</li> <li>▪ The Shire does publish a monthly newsletter entitled: ‘Council Conversations’. This newsletter is included in the ‘Denmark Bulletin’. However, the ‘Denmark Bulletin’ is not distributed to the Shire’s customers in Peaceful Bay unless they subscribe to it;</li> <li>▪ The ‘Council Conversations’ newsletter does not contain any specific information about the Shire’s operations and delivery of services;</li> <li>▪ The Shire has stated it did not establish other forums for consultation;</li> <li>▪ The Shire has stated it did consult the Authority in respect of the type and extent of customer consultation to be undertaken; and</li> <li>▪ The Shire has stated it did not, nor did the Authority request the establishment of other forums for consultation.</li> </ul>		
Customer Contracts	Schedule 3: Clause 5	<ul style="list-style-type: none"> <li>▪ The Shire has stated in paragraph 1.4 of the Customer Service Charter: “.. the Shire of Denmark may provide other services</li> </ul>	<ul style="list-style-type: none"> <li>▪ No recommendation is made.</li> </ul>	N/R



Operating Area	Operating Licence Reference	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<p><i>on terms agreed upon between the customer and the Shire of Denmark.”; and</i></p> <ul style="list-style-type: none"> <li>The Shire has stated no agreements have been entered into with customers to provide water services.</li> </ul>		
Customer Surveys	Schedule 3: Clause 6	<ul style="list-style-type: none"> <li>The Shire has stated the Authority did not require the Shire to commission any independent customer surveys during the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>No recommendation is made.</li> </ul>	N/R
Transfer of Licence	Clause 10	<ul style="list-style-type: none"> <li>The Shire has stated the Operating Licence was not transferred during the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>No recommendation is made.</li> </ul>	N/R
Cancellation of Licence	Clause 11	<ul style="list-style-type: none"> <li>The Shire has stated the Operating Licence was not cancelled during the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>No recommendation is made.</li> </ul>	N/R
Surrender of Licence	Clause 12	<ul style="list-style-type: none"> <li>The Shire has stated the Operating Licence was not surrendered during the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>No recommendation is made.</li> </ul>	N/R
Renewal of Licence	Clause 13	<ul style="list-style-type: none"> <li>The Operating Licence was not renewed during the audit period; and</li> <li>An Operating Licence was awarded by the Authority to the Shire for the provision of non-potable water supply services. This licence: <ul style="list-style-type: none"> <li>Commenced on 30 May 2005; and</li> <li>Expire on 31 May 2031.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>No recommendation is made.</li> </ul>	N/R
Amendment of Licence	Clause 14	<ul style="list-style-type: none"> <li>The Operating Licence was amended during the audit period;</li> <li>Version 'OL3' of the Operating Licence was issued and is dated 21 December 2010; and</li> <li>The purpose of the amendment to the Operating Licence was to: <ul style="list-style-type: none"> <li>List clauses 4.5 and 4.6 in <i>Schedule 3</i> as “Not applicable”; and</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>No recommendation is made.</li> </ul>	N/A

Operating Area	Operating Reference	Licence Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<ul style="list-style-type: none"> <li>▪ Remove “and Sewerage Services” from the title in Schedule 2. (As per pages 1 and 21 of the Operating Licence).</li> </ul>		
Accounting Records	Clause 15	<ul style="list-style-type: none"> <li>▪ The Shire has stated: “The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations.” [As per paragraph 1(a) on page 9 of the Financial Report (as included in the Annual Report 2010/2011)];</li> <li>▪ The Shire uses Synergy Soft accounting software to maintain its accounting records;</li> <li>▪ Accounting records are maintained by the Finance and Administration Department who reports to the Director of Finance &amp; Administration;</li> <li>▪ An annual audit is conducted by an independent auditor on the financial statements of the Shire;</li> <li>▪ The independent auditor expressed an unqualified audit opinion for the 2009/2010 financial year. The independent auditor expressed an unqualified audit opinion for the 2010/2011 financial year. The independent auditor in his audit opinion stated: “ In our opinion the financial report of the Shire of Denmark is in accordance with the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended), including: ...complying with Australian Accounting Standards (including the</li> </ul>	<ul style="list-style-type: none"> <li>▪ No recommendation is made.</li> </ul>	5

Operating Area	Operating Reference	Licence Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<p>Australian Accounting Interpretations), the local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended)."</p> <p>(As on page 34 of the 2010/2011 Annual Report); and</p> <ul style="list-style-type: none"> <li>▪ The Shire's Annual report for the 2011/2012 financial year has not been published at the time the audit was conducted.</li> </ul>		
Operational Audit	Clause 16	<ul style="list-style-type: none"> <li>▪ The previous operational audit (Audit) was conducted for the period from 1 June 2007 to 31 May 2009;</li> <li>▪ The current Audit covers the period from 1 June 2009 to 31 May 2012;</li> <li>▪ The extension of the audit period from 24 months to 36 months is contained in the Authority's notice dated 19 February 2010;</li> <li>▪ The original due date for submission of the Audit report in respect of the current Audit, was 31 August 2012. The Authority has granted an extension to the Shire to 31 October 2012 for submission of the Audit report in respect of the current Audit;</li> <li>▪ The Audit Plan for the 2009/2012 Audit includes:               <ul style="list-style-type: none"> <li>▪ Audit objectives and scope (par. 2.1);</li> <li>▪ Proposed audit approach (par.4.1); and</li> <li>▪ Audit reporting (par 4.3).</li> </ul> </li> </ul> <p>(As on pages 4, 9 and 10 of the Audit Plan respectively);</p> <ul style="list-style-type: none"> <li>▪ The Shire confirmed no review was sought of any of the requirements of the Authority's standard audit guidelines during the audit period;</li> <li>▪ The approval of the appointment of the Paxon</li> </ul>	<ul style="list-style-type: none"> <li>▪ No recommendation is made.</li> </ul>	5

Operating Area	Operating Reference	Licence Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<p>Group to conduct the Audit for the period 1 June 2009 to 31 May 2012 is included in the Authority's letter to the Shire dated 20 August 2012; and</p> <ul style="list-style-type: none"> <li>▪ The audit fieldwork for the 2009/2012 Audit only commenced on 18 September 2012.</li> </ul>		
Asset Management System	Clause 17	<ul style="list-style-type: none"> <li>▪ The Shire has an asset management plan entitled: "Peaceful Bay Water Supply: 2008 – 2009 – Asset Management Plan";</li> <li>▪ This plan was last revised in July 2008;</li> <li>▪ The Shire uses Synergy Soft to account for assets;</li> <li>▪ The Shire has stated no material changes to the asset management system took place during the audit period;</li> <li>▪ The previous asset management system review (Review) was conducted for the period from 1 June 2007 to 31 May 2009;</li> <li>▪ The current Review covers the period from 1 June 2009 to 31 May 2012;</li> <li>▪ The extension of the review period from 24 months to 36 months is contained in the Authority's notice dated 19 February 2010;</li> <li>▪ The original due date for submission of the Review report in respect of the current Review, was 31 August 2012. The Authority has granted an extension to the Shire to 31 October 2012 for submission of the Review report in respect of the current Review;</li> <li>▪ The Audit Plan for the 2009/2012 Review includes:               <ul style="list-style-type: none"> <li>▪ Audit objectives and scope (par. 2.2);</li> <li>▪ Proposed audit approach (par.4.2); and</li> <li>▪ Audit reporting (par 4.3).</li> </ul> </li> </ul> <p>(As on pages 5, 9 and 10 of the Audit Plan</p>	<ul style="list-style-type: none"> <li>▪ The Asset Management Plan is updated to account for the current status of assets.</li> </ul>	4

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p>respectively);</p> <ul style="list-style-type: none"> <li>The Shire confirmed no review was sought of any of the requirements of the Authority's standard guidelines dealing with the asset management system review;</li> <li>The approval of the appointment of the Paxon Group to conduct the Review for the period 1 June 2009 to 31 May 2012 is included in the Authority's letter to the Shire dated 20 August 2012; and</li> <li>The audit fieldwork for the 2009/2012 Review only commenced on 18 September 2012.</li> </ul>		
Reporting	Clause 18		<ul style="list-style-type: none"> <li>The Shire has stated it was not under external administration during the audit period; and</li> <li>The Shire has stated no significant change occurred in its corporate, financial or technical circumstances upon which the Operating Licence was granted during the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>No recommendation is made.</li> </ul>	N/R
Individual Performance Standards	Clause 19		<ul style="list-style-type: none"> <li>The Shire has stated the Authority did not prescribe any individual performance standards in relation to the licensee.</li> </ul>	<ul style="list-style-type: none"> <li>No recommendation is made.</li> </ul>	N/R
Service and Performance Standards	Clause 20 and Schedule 4		<ul style="list-style-type: none"> <li>The Shire has stated in paragraph 1.8 of the Customer Services Charter: <i>"The Shire of Denmark maintains a 24-hour emergency contact service for emergency events."</i>;</li> <li>The Shire has stated in paragraph 2.7 of the Customer Services Charter: <i>"Telephone calls to the emergency numbers will be answered promptly and advice of action to be taken and timing given within one hour of your call. Phone calls to emergency numbers will be actioned by the person taking the call and callers will not be directed to call other phone numbers."</i>;</li> <li>Emergency assistance is covered in both</li> </ul>	<ul style="list-style-type: none"> <li>Present all information which deals with emergency assistance in paragraph 1.8 of the Customer Service Charter; and</li> <li>Electronic copies of all Performance Reports compiled and submitted to the Authority should be kept.</li> </ul>	3

Operating Area	Operating Reference	Licence Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<p>paragraphs 1.8 and 2.7 of the Customer Service Charter. Paragraph 1.8 discloses contact details for emergency assistance. Paragraph 2.7 describes the process followed by the Shire in providing emergency assistance;</p> <ul style="list-style-type: none"> <li>▪ A recommendation was made above in respect of the disclosure of emergency assistance numbers on the Shire's website;</li> <li>▪ As per the 'Water Compliance Manual Datasheet - Contact Centre', only 50% of customers who, within one hour of reporting an emergency, were advised of the nature and timing of the action to be undertaken by the Shire during the 2010-2011 reporting period;</li> <li>▪ The Shire has stated: <i>"This is not a realistic goal in a regional area. Other than saying we will go out and diagnose the problem which gives us 100% success rate. We cannot mobilise tradesmen that quickly Peaceful Bay is 45 minutes from Denmark and 90 minutes from Manjimup."</i>;</li> <li>▪ As per 'Water Compliance Manual Datasheet - Contact Centre', no calls for emergency assistance were received during the 2011 - 2012 reporting period;</li> <li>▪ No details were presented for audit purposes in respect of emergency response provided by the Shire during the 2009 - 2010 reporting period;</li> <li>▪ The Shire has stated in paragraph 2.7 of the Customer Services Charter: <ul style="list-style-type: none"> <li>▪ <i>"A representative of the Shire of Denmark will respond in person within 2 business days of a complaint being lodged."</i>; and</li> <li>▪ <i>"Pursuant to its licence, the Shire of Denmark must resolve complaints within 15 business</i></li> </ul> </li> </ul>		

Operating Area	Operating Reference	Licence Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<p>days.”;</p> <ul style="list-style-type: none"> <li>▪ A recommendation was made above in respect of the compilation and implementation of a customer complaints procedure manual;</li> <li>▪ A recommendation was made above in respect of the introduction of customer complaints registration forms;</li> <li>▪ A recommendation was made above in respect of the introduction of a complaints register;</li> <li>▪ As per the ‘Water Compliance Manual Datasheet – Complaints’:               <ul style="list-style-type: none"> <li>▪ 100% of customer complaints were resolved within 15 business days during the 2010 – 2011 reporting year; and</li> <li>▪ No customer complaints were received during the 2011 – 2012 reporting period.</li> </ul> </li> <li>▪ No details were presented for audit purposes in respect of customer complaints received by the Shire during the 2009 – 2010 reporting period.</li> </ul>		
Provision of Information	Clause 21.1	<ul style="list-style-type: none"> <li>▪ As per the ‘Water Compliance Reporting Manual’, the Shire is required to submit an annual performance report to the Authority by 31 July for the year ending 30 June;</li> <li>▪ As per the ‘Water Compliance Reporting Manual’, the Shire is required to submit an annual compliance report to the Authority by 31 August for the year ending 30 June;</li> <li>▪ The Annual Performance Report for the year ending 30 June 2010 was submitted late, as referred to in the Authority’s letter to the Shire dated 12 August 2010;</li> <li>▪ This letter states:  <i>“Failure to provide the performance report by the</i> </li> </ul>	<ul style="list-style-type: none"> <li>▪ An appropriate record (Compliance Schedule) should be kept of all disclosure and reporting requirements stipulated in the Operating Licence. This schedule should disclose the following information:               <ul style="list-style-type: none"> <li>▪ Operating Licence reference;</li> <li>▪ Compliance requirement;</li> <li>▪ Frequency of action specified;</li> <li>▪ (Next) due date;</li> <li>▪ Responsible officer; and</li> <li>▪ Notes.</li> </ul> </li> <li>▪ Responsibility for continually updating the compliance schedule should be allocated to a</li> </ul>	2

Operating Area	Operating Reference Licence	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<p><i>due date is a non-compliance with Schedule 5, clause 2.1 of the Shire's licence, and this item should be included in the compliance report for the year ending 30 June 2011.</i>”;</p> <ul style="list-style-type: none"> <li>▪ However, the Annual Compliance Report for the year ending 30 June 2011 states:  <i>“The Shire of Denmark committed no breaches of the conditions of Water Services Licensing Act Licence No 39 during the period 1 July 2010 to 30 June 2011.”;</i></li> <li>▪ The Annual Compliance Report for the year ending 30 June 2010 was submitted late, as referred to in the Authority's letter to the Shire dated 16 September 2010;</li> <li>▪ This letter states:  <i>“The due date for the annual compliance report was 31 August 2010. Failure to provide the compliance report to the Authority by the due date is a non-compliance with the licence and this item should be included in the compliance report for the year ending 30 June 2011.”;</i></li> <li>▪ As indicated above, the Annual Compliance Report for the year ending 30 June 2011 indicated that no breaches of the Operating Licence occurred during the 2010/2011 reporting period;</li> <li>▪ The Annual Performance Report for the year ending 30 June 2011 was submitted late, as referred to in the Authority's letter to the Shire dated 16 August 2011;</li> <li>▪ This letter states:  <i>“As the performance report was submitted after the due date, it will need to be recorded as a non-compliance with Schedule 5, Clause 2.1 in the compliance report for the year ending 30 June</i></li> </ul>	<p>specific person who should pro-actively pursue it; and</p> <ul style="list-style-type: none"> <li>▪ In addition, a proper record of all instances of non-compliance with Operating Licence conditions should be kept and be appropriately included in the applicable Annual Compliance Report forwarded to the Authority.</li> </ul>	



Operating Area	Operating Reference	Licence Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<p>2012.”;</p> <ul style="list-style-type: none"> <li>▪ The Annual Compliance Report for the year ending 30 June 2012 does contain a reference to this breach;</li> <li>▪ The Annual Compliance Report for the year ending 30 June 2011 was submitted late, as referred to in the Authority's letter to the Shire dated 13 September 2011;</li> <li>▪ This letter states: <i>“As the report was submitted after the due date, it will need to be recorded as a non-compliance with Schedule 5, clause 2.1 of the licence in the compliance report for the year ending 30 June 2012.”;</i></li> <li>▪ The Annual Compliance Report for the year ending 30 June 2012 does not disclose the late submission of the 2011 Annual Compliance Report as a breach of its Operating Licence conditions;</li> <li>▪ The Annual Performance Report for the year ending 30 June 2012 was submitted on time; and</li> <li>▪ The Annual Compliance Report for the year ending 30 June 2012 was submitted on time.</li> </ul>		
Information Requirements (Reporting)	Cl. 21.2 and Schedule 5	<ul style="list-style-type: none"> <li>▪ Paragraphs 16 and 19 of the ‘Water Compliance Reporting Manual’ contain specific performance reporting requirements the Shire has to comply with;</li> <li>▪ No Performance Report for the 2009 – 2010 reporting period was presented for audit;</li> <li>▪ A recommendation was made above in respect of keeping electronic copies of all Performance Reports compiled and submitted to the Authority;</li> <li>▪ The Annual Performance Report for the year ending 30 June 2012 complies with the specific performance reporting requirements contained in</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Performance Report should disclose the absence of activity for a specific indicator as ‘zero’ instead of interpreting and disclosing such an absence of activity as being equal to a ‘100% success rate’.</li> </ul>	3

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p>paragraphs 16 and 19 of the 'Water Compliance Reporting Manual', except for the following discrepancies:</p> <ul style="list-style-type: none"> <li>It incorrectly discloses a 100% compliance rating in respect of resolving customer complaints within 15 business days, whilst no customer complaints were recorded during the reporting period; and</li> <li>It incorrectly discloses a 100% compliance rating in respect of emergency response, whilst no emergencies were recorded during the reporting period.</li> </ul>		
Publishing Information	Clause 22		<ul style="list-style-type: none"> <li>The Shire has stated the Authority did not direct the Shire to publish any information.</li> </ul>	<ul style="list-style-type: none"> <li>No recommendation is made.</li> </ul>	N/R
Notices	Clause 23		<ul style="list-style-type: none"> <li>The Shire has stated no notices were issued during the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>No recommendation is made.</li> </ul>	N/R
Review of the Authority's Decisions	Clause 24		<ul style="list-style-type: none"> <li>The Shire has stated no review was sought of any reviewable decision made by the Authority during the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>No recommendation is made.</li> </ul>	N/R
Other Provisions	Schedule 6: Clauses 2 and 3		<ul style="list-style-type: none"> <li>The Shire has stated in paragraphs 2.5 and 2.6 of the Customer Service Charter: <ul style="list-style-type: none"> <li><i>"No further connections are available to the Peaceful Bay water supply scheme.";</i> and</li> <li><i>"Non potable water is permanently supplied to all leasehold properties in Peaceful Bay.";</i></li> </ul> </li> <li>The Shire's Customer Service Charter was approved by the Authority, as per their notice dated 3 March 2009;</li> <li>An amendment to the Shire's Customer Service Charter was approved by the Authority, as per their notice dated 26 October 2009;</li> <li>Audit noted copies of the 'Customer Service Charter</li> </ul>	<ul style="list-style-type: none"> <li>The Customer Service Charter is appropriately changed to state the Shire may, with the written agreement of the property owner, discontinue a service to a property where the servicing of the property is not commercially viable.</li> </ul>	3

Operating Area	Operating Reference	Licence Systems, Processes and Controls in place at Shire to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<p>for Water Supply Services - June 2012' are available in the reception area in the Shire's offices;</p> <ul style="list-style-type: none"> <li>▪ The Customer Service Charter is prominently disclosed on the 'Council Services' webpage on the Shire's website;</li> <li>▪ The Shire's Customer Service Charter does not state the written agreement of a property owner is needed to discontinue a service to a property. Furthermore it makes provision for a number of instances where the Shire may limit or withdraw services, none of which directly deals with commercial viability. (Paragraphs 2.6 and 3.5 of the Customer Service Charter);</li> <li>▪ The Shire has stated no services to properties were discontinued during the audit period;</li> <li>▪ The Shire has stated a warning sign, as depicted in the Operating Licence, was erected at the stipulated location; and</li> <li>▪ The Shire has stated an annual determination is done of maintenance required for the warning sign.</li> </ul>		

# 3

## Asset Management System Review

### 3.1 Introduction

The Peaceful Bay settlement, originally sited on a cattle lease, began its existence as a holiday destination for local families in the early part of the last century. In 1956, the land was vested in the Shire of Denmark, a community plan was developed and applications were called for leasehold sites. The leasehold development, which is managed by the Shire of Denmark, has 203 leased sites set aside for short-stay holiday accommodation.

Prior to 1956, the water supply to the settlement was originally provided from the soak immediately south of the present General Store and from runoff from roofs. In 1959, a windmill was installed at the soak and a 54 m<sup>3</sup> concrete tank was constructed by the Shire together with reticulation to each leasehold site. Between 1959 and 1979, the water supply scheme was upgraded by the installation of a transfer Pumping Station at the dam and construction of two additional concrete storage tanks designated A and B – each of 54 Kl capacity. Tank A is at a higher level than Tank B.

In 1979, the Shire of Denmark accepted a proposal from the Public Works Department (PWD) to establish a suitable groundwater source at Peaceful Bay. In 1983, nine test bores were sunk. Only two of the nine bores drilled (bore 3/83 and 5/83) were identified as suitable for production as there was insufficient thickness of saturated sand at the other sites. Following extensive testing, 3/83 was completed as a production bore – but not commissioned.

In 1984, the PWD conducted a fairly comprehensive study, which concluded that the scheme was not capable of meeting peak summer demands.

Initially to increase supply, the existing excavated dam was expanded, transfer pipeline was replaced and duty and standby pumps were installed. Due to further supply problems, bore 3/83 was commissioned in 1989, and a rising main installed to the dam site.

Since 1989, two separate distribution and reticulation schemes have been developed: a chlorinated potable water supply for the Caravan Park; and a non-potable water supply for the leased properties. The Caravan Park system utilises one of the transfer pumps to transfer water from the dam to Tank C, which serves the Caravan Park. A sodium hypochlorite dosing system in the transfer pumping shed is used to disinfect the water before entering a third tank, Tank C. Tank C was initially provided with a supply source from Tank B but isolated by a normally closed gate valve. This connection has now been removed to isolate the potable supply to the caravan park from the non-potable supply in Tank B. The caravan park supply is not included in the Peaceful Bay Non-Potable Water Supply licence.

In 2003 the bore pump was replaced. Both transfer pumps were replaced in 2009. In 2011 two further storage tanks were installed – a 100 Kl tank on the hill between existing tanks A & B and an 80 Kl tank in the lease area to

supplement the fire supply. Additional fire hydrants were also constructed within the lease area.

Allotment lessees pay annual lease fees plus normal property rates. There is no separate charge for the non-potable water service.

Executive responsibility for the plant rests with Council's CEO. The plant is actually operated through Council's Department of Community and Regulatory Services. Day to day operations, maintenance, repairs etc. are undertaken via an arrangement with a licensed Plumber who operates in the district and who reports to the Director of Community and Regulatory Services. In addition, Council has arrangements with local companies for the provision of electrical and mechanical services.

### 3.2 Objectives and Scope

The Water Services Licensing Act 1995 requires that the Shire provides for and maintain an asset management system. The system should set out the processes to be taken by the Shire to ensure the proper planning, operation, financing, maintenance, repair and renewal of its assets and for monitoring of its water services.

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

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

This review therefore examined:

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

The review also identifies any aspects of the asset management system, which are considered to require correction, amendment, or improvement.

### 3.3 Key Documents Inspected During the Review

- Shire of Denmark's Operating Licence No.39 for the Peaceful Bay Non-Potable Water Supply, issued by the Economic Regulation Authority of Western Australia (Authority);
- Shire of Denmark Annual Reports to the Authority over the review period as required by the above licence;
- Shire of Denmark – Peaceful Bay Non-Potable Water Supply – Customer Charter;
- Proposed budget of income and expenditure (capital works, maintenance, labour etc.) for the Peaceful Bay Non-Potable Water Supply - for the 2012/13 financial years;
- Running ten years estimate of annual income, operating costs and capital works expenditure for the period 2011/12 to 2021/2022. The estimates for the 2009/2010, 2010/2011, 2011/2012 and 2012/2013, which is currently being prepared;
- Peaceful Bay Water Supply Asset Management Plan (Rev. C) 2008 – 2009: 36 pages incorporating:
  - Existing Environment, Water Services Description, Asset Condition and Performance, Level of Service, Risk Management, Operational Plan1 (basic), Maintenance Plan (basic), Capital Investment Plan, Contingency Plan, Review Plan, Scheme Arrangement Diagram, Operating Area Plan and Three Year Expenditure Plan;
- Shire of Denmark, Operational Audit and Asset Management System Review 2009 (Water Licence);
- Shire of Denmark, Business Continuity & Recovery Plan 2012;
- Shire of Denmark, Purchasing Policy;
- Pathwest, Water Examination Laboratory, Test Results July 2012; and
- Peaceful Bay Non-Potable Water Supply, Monthly Inspection Sheets.

### 3.4 Time Period Covered in Review

The review covered the period from 1 June 2009 to 31 May 2012. The previous review covered the period from 1 June 2007 to 31 May 2009.

### 3.5 Time Period of Review

The review was conducted from 18 September 2012 to 19 September 2012.

### 3.6 Licensee's Representatives

Shire of Denmark primary contacts were as follows:

Staff	Position
Mr G. Harwood	Director of Community and Regulatory Services
Mr R. Ohle	Principal Environmental Health Officer
Mr G. Bird	Director of Finance & Administration
Mr L. Shelley	Project Officer
Mr M. Phillips	Bowbridge Plumbing Services, Operator, Peaceful Bay Non-Potable Water Supply
Mr C. Baxter	Vice President, Peaceful Bay Progress Association

### 3.7 Post Review Implementation Plan

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

### 3.8 Licensee's Response to Previous Review Recommendations

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved / Unresolved
<b>Review of Asset Management Plan</b>	<ul style="list-style-type: none"> <li>The parts of the AMP due for review in October 2008 and May 2009 should be reviewed and the AMP updated as required, once the current system upgrades are complete.</li> </ul>	<ul style="list-style-type: none"> <li>The reviews have not been undertaken.</li> </ul>	<ul style="list-style-type: none"> <li>As documented in the 'Recommendation' Column.</li> </ul>	Unresolved
<b>Asset Operations - Training</b>	<ul style="list-style-type: none"> <li>The Shire should consider conducting a training needs analysis for each role involved with maintaining and operating the system. The training needs can then be used to ensure personnel employed by the Shire receive adequate training to perform their role.</li> </ul>	<ul style="list-style-type: none"> <li>The training needs analysis has not been undertaken.</li> </ul>	<ul style="list-style-type: none"> <li>As documented in the 'Recommendation' Column.</li> </ul>	Unresolved
<b>Operations and Maintenance Manual</b>	<ul style="list-style-type: none"> <li>The Shire to finalise the Operations and Maintenance Manual for the system. The Manual is to detail all maintenance procedures required for the system and link these procedures to the service levels required.</li> </ul>	<ul style="list-style-type: none"> <li>The manual has not been prepared.</li> </ul>	<ul style="list-style-type: none"> <li>As documented in the 'Recommendation' Column.</li> </ul>	Unresolved
<b>Asset Maintenance Inspections</b>	<ul style="list-style-type: none"> <li>The Shire to implement the regular maintenance inspection schedule and ensure the schedule is completed.</li> </ul>	<ul style="list-style-type: none"> <li>The schedule has not been implemented.</li> </ul>	<ul style="list-style-type: none"> <li>As documented in the 'Recommendation' Column.</li> </ul>	Unresolved
<b>Maintenance Plans</b>	<ul style="list-style-type: none"> <li>The Shire to finalise the Maintenance Plans and have the plans approved by the Council.</li> </ul>	<ul style="list-style-type: none"> <li>The plans have not been finalised.</li> </ul>	<ul style="list-style-type: none"> <li>As documented in the 'Recommendation' Column.</li> </ul>	Unresolved
<b>Management Reporting</b>	<ul style="list-style-type: none"> <li>Once the current upgrades are complete, the Environmental Health Officer (EHO) should monitor service levels and report these to the Shire as appropriate; and</li> <li>The AMP includes a number of performance measures on quality, availability, pressure and storage capacity. This information should be collected monthly and reported to the CEO</li> </ul>	<ul style="list-style-type: none"> <li>The EHO is monitoring and collating bacterial water quality, and reporting to his Director, the Department of Health and the Caravan Park Manager as appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>The frequency of testing is to be decided; and</li> <li>As documented in the 'Recommendation' Column.</li> </ul>	Partly resolved



Licence Reference	Condition	Recommendation	Action Taken	Further Action Required	Resolved / Unresolved
		along with details on any incidents or complaints reported during the month.			
<b>Contingency Plan</b>		<ul style="list-style-type: none"> <li>More details such as names and contact numbers for the individuals involved in the contingency plan should be included in the plan.</li> </ul>	<ul style="list-style-type: none"> <li>These details have been included for Shire officers in the Customer Service Charter and a public notice board at Peaceful Bay.</li> </ul>	<ul style="list-style-type: none"> <li>As documented in the 'Recommendation' Column.</li> </ul>	Unresolved
<b>Capital Plan</b>	<b>Expenditure</b>	<ul style="list-style-type: none"> <li>The Shire to update the Capital Expenditure Plan outlined in section 9 of the AMP to include information on the current condition of the asset and ensure the plan is consistent with the expected operating condition of the equipment.</li> </ul>	<ul style="list-style-type: none"> <li>The plan has not been updated.</li> </ul>	<ul style="list-style-type: none"> <li>As documented in the 'Recommendation' Column.</li> </ul>	Unresolved

### 3.9 Summary of Issues and Recommendations

Key Process	Issue	Recommendations	Post Implementation Plan	Review Date of Implementation	Person Responsible
Asset planning	<ul style="list-style-type: none"> <li>The Shire's original Asset Management Plan (AMP) (Revisions 1 &amp; 2) was prepared by Consultants;</li> <li>The current AMP, (Revision 3, dated July 2008) was an update prepared for the 2008 - 2009 year by the Shire. This AMP has not been reviewed since 2008 - and, whilst it addresses many of the necessary criteria, a three years maintenance and capital improvement strategy and cost estimate was not included in subsequent financial plans. Most sections of the AMP are out of date, and in some cases, somewhat extraneous;</li> <li>Levels of service (based on the existing supply) are given for water quantity, availability, pressure at connection and minimum storage capacity. The level for supply of 175 kl per day represents the output of the bore operating 24 hours per day. This figure is considered unrealistic in terms of the actual demand and the operating capacity of a bore without a duty standby. There is no indication that service levels are monitored or recorded;</li> <li>The AMP contains no Asset Register or Operation and Maintenance manual - although the latter is referred to in the Text. Similarly, there are no protocols or pro-forma documents for recording and collating the outcome of inspections, tests or maintenance of the assets;</li> <li>The document has not been presented to Council or signed off by the Shire's CEO;</li> <li>Formal Asset Planning has not been implemented. Budgeting has been based of a broad assessment of the recurrent costs of operating the system. Upgrades such as pump replacement and scour valve</li> </ul>	<ul style="list-style-type: none"> <li>It is recommended the Shire's Asset Management Plan be thoroughly reviewed in order to: <ul style="list-style-type: none"> <li>Change the tenor of the AMP from that of a report on an engineering due diligence assessment to that of a working document which details the performance requirements of the system, its assets, condition, and requirements for operation, maintenance, and replacement;</li> <li>Service level values should be verified and checked and recorded on a regular basis; and</li> <li>The above should include an asset register, long term capital expenditure plan operation and maintenance procedures and a protocol for reporting and recording inspections, condition and maintenance of assets, together with a schedule for review and updating of the AMP document as a whole.</li> </ul> </li> </ul>	<p>Change the tenor of the AMP from that of a report on an engineering due diligence assessment to that of a working document which details the performance requirements of the system, its assets, condition and requirements for operation, maintenance, and replacement is supported.</p> <p>The above should include an asset register, long term capital expenditure plan operation and maintenance procedures, a protocol for reporting and recording inspections, condition and maintenance of, together with a schedule for review and updating of the AMP document as a whole.</p> <p>The review should include a process to verify service levels on a regular basis.</p> <p>The achievement of these outcomes will require a</p>	<p>DCRS will refer to Council as part of 2013/2014 budget considerations with the objective of implementing all recommended items by November 2013.</p>	

Key Process	Issue	Recommendations	Post Review Implementation Plan	Person Responsible / Date of Implementation
	<p>installation (noted in the July 2008 AMP Rev 3) were subsequently undertaken from unexpended budget funds as such opportunities occurred – reflecting an ad-hoc approach to balancing expenditure and service standards;</p> <ul style="list-style-type: none"> <li>▪ It is noted that the Shire has implemented a twice weekly summer time operation of sprinklers to reduce consumption. The Shire also issues all lessees with adhesive notices (stating that water is not suitable for drinking) for attachment to outlets from the scheme; and</li> <li>▪ An unexpected equipment failure due to a lack of an asset planning and replacement strategy could severely impact the system in terms of reliability, service quality and customer acceptance.</li> </ul>		<p>level of resources commitment that must be determined by Council through its budget process as it will need to be passed onto Peaceful Bay water supply customers.</p> <p>While during summer months and Christmas/Easter holiday periods in particular, the bore is operated some 23 hours daily to augment the soak supply it is not actually necessary.</p> <p>The bore is not needed during summer providing water usage is kept to reasonable levels.</p>	
<p>Asset creation and acquisition</p>	<ul style="list-style-type: none"> <li>▪ As stated for asset planning above, the creation of assets is related primarily to Shire’s Officer’s knowledge of the scheme and their ability to select an asset for replacement mainly when an unexpended budget opportunity arises;</li> <li>▪ The Asset Creation accent is on maintaining the operation of the system within budget cost where possible; and</li> <li>▪ Purchase of assets is undertaken in accordance with Local Government guidelines – supplemented by the requirements of the Shire’s own Purchasing Policy document PO 40220.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The recommendations for Item 1 Asset Planning are applicable to Asset Creation and Acquisition.</li> </ul>	<p>As suggested in item 1 change the tenor of the AMP from that of a report on an engineering due diligence assessment to that of a working document which details the performance requirements of the system, its assets, condition and requirements for operation, maintenance, and replacement is</p>	

Key Process	Issue	Recommendations	Post Implementation Plan	Review Date of Implementation	Person Responsible
			<p>supported.</p> <p>Undertaking a detailed re-assessment of the overall concept of the current scheme.</p> <p>The achievement of these outcomes will require a level of resources commitment that must be determined by Council through its budget process as it will need to be passed onto Peaceful Bay water supply customers.</p>		
Asset disposal	<ul style="list-style-type: none"> <li>The assets involved are basically a bore, pumps, reticulation pipework and storage tanks;</li> <li>Items replaced to date - with the exception of pumps, would have little or no further use or value. Their disposal would normally involve removal to landfill or similar disposal location; and</li> <li>In the case of pumps recently (or due to be) replaced, Shire intends having these serviced / refurbished and retained as spares.</li> </ul>	<ul style="list-style-type: none"> <li>That pumps replaced but not disposed of be serviced / refurbished and retained as spares.</li> </ul>	<p>Agreed. The 30 year old pumps were working perfectly and were replaced with identical new Southern Cross pumps purely to obtain the 10% efficiency gain that typically comes from new pumps with tighter impeller tolerances.</p>		DCRS will implement by June 2013.
Environmental analysis	<ul style="list-style-type: none"> <li>Section 2 of the AMP (Rev 3) contains a summary of the history of the scheme, major facilities, number of services and water demand;</li> <li>The peak water demand is estimated to be 200 KI per day, which exceeds the capacity (175 KI) of the supply bore operating continuously. Flow meter readings are not taken to verify the estimated flows reported;</li> </ul>	<ul style="list-style-type: none"> <li>Transfer pump flow meters should be read at least monthly during winter months and weekly during summer periods. Due to the distant location and four wheels drive access requirements of the site, (bore) flow meter readings at monthly intervals should suffice. All readings should be taken on the same day and be recorded on the Shire's Synergy system;</li> <li>Readings should be used to determine and record the actual demand for water (including at the caravan</li> </ul>	<p>Weekly meter reading is onerous and will require too many Council resources during Council's busy summer tourist season.</p> <p>Fortnightly meter reading is realistic as it ties in with</p>		DCRS will implement by November 2013.

Key Process	Issue	Recommendations	Post Review Implementation Plan	Person Responsible / Date of Implementation
	<ul style="list-style-type: none"> <li>▪ The foregoing comments highlight the high level of reliance of the scheme on the continuous operation of the single supply bore during the summer holiday period;</li> <li>▪ The total pressure storage is now 208 kl. equal to one day of estimated peak demand;</li> <li>▪ The estimated peak demand does not appear to include the requirement of the caravan park or the reduction in the peak due to the Shire's imposition of twice weekly sprinkler use during summer;</li> <li>▪ Regulatory Authorities are noted as the Economic Regulation Authority and its licensing of the Shire to operate the Peaceful Bay Non-Potable Water Supply. Also, the Department of Local Government and Regional Development and its requirement for the Shire to prepare a plan of principal activities for an ongoing period of five years;</li> <li>▪ Environmental issues identified are mainly contamination of the supply from contaminated groundwater and operating the bore at a non-defined sustainable safe yield. There are no references to physical environmental factors such as fire or loss of power, although both are considered in the section on risk analysis; and</li> <li>▪ Specific requirements of the National Parks and Conservation Authority regarding access to the bore and clearing of vegetation are noted.</li> </ul>	<ul style="list-style-type: none"> <li>park) and hence assist in evaluating the performance of the system; and</li> <li>▪ The identification of the physical factors associated with the operating environment of the plant should be broadened to coincide with the factors dealt with in the risk analysis/management and contingency plans.</li> </ul>	<p>Council's summer water sampling regime and will allow correlation of the inspection, the results and the observed environmental factors.</p> <p>The Water Corporation will be approached regarding details on the bore.</p>	
Asset operations	<ul style="list-style-type: none"> <li>▪ Operation of the system is undertaken by the proprietor of Bowbridge Plumbing – based some 16 km north of Peaceful Bay. The operator attends to check the system approximately monthly during wet months - when most residences are vacant and water demand is minimal. During this period, an adequate supply is taken from the existing reservoir/soak fed</li> </ul>	<ul style="list-style-type: none"> <li>▪ The existing arrangement with the Operator should be formalised, including a description of his responsibilities, duties, basis of remuneration and expenses recovery etc.;</li> <li>▪ The duties, attendance intervals, operating, maintenance, monitoring and reporting requirements of the Operator should be linked to a fully</li> </ul>	<p>Support formalising maintenance/servicing arrangements and the creation of a fee per visit rate or contract but this will come with the risk of increased cost to Council.</p>	<p>DCRS will refer to Council as part of 2013/2014 budget considerations with the objective of implementing all recommended items by November 2013.</p>

Key Process	Issue	Recommendations	Post Review Implementation Plan	Person Responsible / Date of Implementation
	<p>by stormwater and water table inflow - and it is not necessary to operate the bore to augment the supply. However, the bore is operated manually during winter operator visits in order to check the bore and pump are operational;</p> <ul style="list-style-type: none"> <li>▪ During summer months and Christmas/Easter holiday periods in particular, the bore is operated some 23 hours daily to augment the soak supply and to ensure the higher summer water demand is met;</li> <li>▪ During these higher demand periods, the operator is on-site at least weekly attending to private plumbing contracts in the settlement;</li> <li>▪ In the absence of the operator, a local resident during summer holiday periods - a qualified plumber and former employee of Water Corporation with water system experience, deputises for the operator and is the initial contact for residents on water supply matters;</li> <li>▪ Although the bore pump and transfer pumps are each fitted with flow meters, readings are not taken or recorded. Without flow meter records, the actual daily peak and annual demand for water cannot be determined, or reported;</li> <li>▪ The Operator has a detailed knowledge of the Peaceful Bay non-potable water system and its operation. He is also fully competent to undertake most repairs and maintenance. However, while the above arrangements appear to work adequately, they are essentially ad hoc in nature and should be more formally arranged;</li> <li>▪ Such formal arrangements should be supported by Operational documentation setting out attendance intervals, operating procedures, flow and quality monitoring, reporting requirements and procedures. It is noted that the AMP refers to an "Operating and</li> </ul>	<p>documented "Operating and Maintenance Manual" - currently referred to in the AMP - but which has not been prepared;</p> <ul style="list-style-type: none"> <li>▪ Transfer pump flow meters should be read at least monthly during winter months and weekly during summer periods. Due to the distant location and four wheel drive access requirement of the site, bore flow meter readings at monthly intervals should suffice. All readings should be taken on the same day and be recorded on the Shire's Synergy system;</li> <li>▪ A training program should be implemented to extend the number of persons familiar with the operation, inspections and maintenance of the scheme, contingency plan implementation and reporting. The training should be extended to the present operator, support resident, and three or four members of the Shire's staff. The training should be based on the AMP and the Operations and Maintenance Manual; and</li> <li>▪ Each trainee should receive a copy of the AMP and Operations and Maintenance manual.</li> </ul>	<p>Support the creation of a maintenance manual and check sheets.</p> <p>Support a training program that is centred on the reviewed asset management plan.</p> <p>Support multiple staff members being trained.</p> <p>Notes:</p> <p>1) While training is supported in principle, Council is able to draw on numerous trained tradesmen in the Manjimup, Denmark and Albany. Most wineries and market gardens have larger and more complex bore, pump, control and irrigation systems.</p> <p>2) While during summer months and Christmas/Easter holiday periods in particular, the bore is operated some 23 hours daily to augment the soak supply it is not actually necessary.</p> <p>The bore is not needed during summer providing water usage is kept to reasonable levels.</p>	

Key Process	Issue	Recommendations	Post Review Implementation Plan	Person Responsible / Date of Implementation
	<p>Maintenance Manual”, however such a document has not been prepared;</p> <ul style="list-style-type: none"> <li>It is apparent that the operator and holiday resident referred to above understand the operation of the system. However, there is no provision for training of staff or contractors associated with the Peaceful Bay scheme. It is considered that training should be provided in operation, inspections, maintenance, contingency plan implementation and reporting for the scheme. Such training should be provided to the above-mentioned operator and part time resident and to at least three or four Shire staff – possibly the EHO, Project Officer and Ranger, together with a member of the Shire Engineer’s Department. The training should be based on the updated AMP and the proposed Operations and Maintenance manual; and</li> <li>Updated copies of the AMP and the Operations and Maintenance manual should be provided to each of the trainees.</li> </ul>		<p>The achievement of these measures will require increased resources and funding will be sought in the 2013/2014 budget.</p>	
Asset maintenance	<ul style="list-style-type: none"> <li>Inspection of the Peaceful Bay non-potable water supply system indicated areas where maintenance has been inadequate;</li> <li>The bore site compound is overgrown and the headwork pipework and hardware is severely corroded;</li> <li>The bore pump has not been inspected or serviced since its installation in 2003. Similarly, the bore has not been subjected to a “down the hole” video inspection to determine its depth, construction or condition;</li> <li>The main pumping station is surrounded by scrub and (as for the bore site) would be readily rendered inoperable in a fire;</li> </ul>	<ul style="list-style-type: none"> <li>As for Item 6 – Asset Operations, a detailed “Operating and Maintenance Manual” should be prepared. The manual should include: <ul style="list-style-type: none"> <li>A detailed list of maintenance and inspections to be undertaken and their frequency. The list should include check sheets verifying the maintenance checks have been undertaken, the date and any applicable notes/comments relevant to the check; and</li> <li>A protocol for completed check sheets to be forwarded to Shire management for recording and noting any action required /taken.</li> </ul> </li> <li>A register of prime assets should be prepared – including the age and condition and remaining life</li> </ul>	<p>Support the creation of a detailed “Operating and Maintenance Manual” and check sheets with a process that reports back to Council management.</p> <p>Support the creation of a prime assets register and spare parts and supplier’s lists.</p> <p>Support the refurbishment of removed pumps and the retention of spare pumps.</p>	<p>DCRS will refer to Council as part of 2013/2014 budget considerations with the objective of implementing all recommended items by November 2013.</p>

Key Process	Issue	Recommendations	Post Review Implementation Plan	Person Responsible / Date of Implementation
	<ul style="list-style-type: none"> <li>▪ On the other hand, main storage tanks are now regularly de-sludged and reticulation mains are scoured to clear accumulated sludge and algae;</li> <li>▪ Required maintenance and relevant inspections are not documented or supported by check lists for completion and submission to management for recording or action;</li> <li>▪ Responsibility for reporting equipment malfunctions and arrangements for correction/repair are well understood by both the Operator and Shire management – but are not supported by procedure or report pro-forma documentation;</li> <li>▪ A register of the prime assets and their age and condition is referred to in the AMP – but has not been prepared;</li> <li>▪ A list of spare parts– with details of suppliers has not been prepared. It is noted however, that Shire management, has a hard copy file record of asset items and spare parts suppliers;</li> <li>▪ It is considered essential that existing bore and main pumps previously replaced (but not disposed of) be refurbished and retained as spares;</li> <li>▪ Ad hoc arrangements are in place with local tradesmen to support Council in facilitating repairs and maintenance;</li> <li>▪ Water samples are taken from some twenty locations in the settlement and tested for coliform bacteria. The results from the water examination laboratory of Pathwest are reviewed by the Shire’s Environmental Health Officer (EHO) and any action taken as necessary. The results are then transferred to a spread sheet to provide a continuing record for each sampling site; and</li> <li>▪ Reviewer considers that the spread sheet should include an additional column for noting any</li> </ul>	<p>expectancy of each item;</p> <ul style="list-style-type: none"> <li>▪ A list of spare parts should be prepared, including details of suppliers;</li> <li>▪ Pumps which have been replaced should be refurbished and retained as spares as a matter of urgency. Any pump which cannot be adequately refurbished should be replaced with a new unit;</li> <li>▪ The sole bore supplying water to the system should be subject to a “down the hole” video inspection to determine its depth, construction and condition and (if appropriate) the bore should be re-developed to restore any perceived loss in yield or drawdown;</li> <li>▪ On replacement, the pump should be supported on a stainless steel wire to facilitate its removal and to prevent loss of the pump if the delivery hose currently supporting it fails. Similarly, the bore should be fitted with equipment to measure standing water level and operational drawdown; and</li> <li>▪ Include an additional column for EHO comment on the water test result spread sheet. Prepare a protocol for water testing frequency, follow up and test type.</li> </ul>	<p>Support detailed examination of the bore and the suspension of the new pump on a stainless steel cable.</p> <p>Support expansion of the water test result spread sheet to allow EHO comments.</p> <p>The achievement of these measures will require increased resources and funding will be sought in the 2013/2014 budget.</p>	



Key Process	Issue	Recommendations	Post Review Implementation Plan	Person Responsible / Date of Implementation
	<p>comments/actions taken by the EHO. Also, that a protocol should be developed specifying the intervals between sampling which is consistent with season and water demand plus follow up subsequent to unsatisfactory results. Sampling for hydrocarbons should be taken in the vicinity of the fuel storage at least twice annually.</p>			
<p>Asset management information system</p>	<ul style="list-style-type: none"> <li>▪ The local government software package “Synergy” is used to enter bills and payments and to build up an ongoing income/expenditure record against budget for each area, including Peaceful Bay non-potable water supply. Details include wages and overheads, accounts rendered/paid. The cost of staff time is not costed to the Peaceful Bay account;</li> <li>▪ The finance department enters all financial data prepares budgets etc. and reviews expenditure against budget allocation;</li> <li>▪ The Synergy system is also used to record incoming and outgoing correspondence, minutes of meetings etc. Incoming mail is scanned and entered into the system;</li> <li>▪ Reviewer considers that the hard copy file of suppliers referred to in Item 6 above, together with completed maintenance check lists and any other site reports should similarly be scanned and stored as identifiable files on the Synergy system. In addition, files should be established on the Synergy system to record asset performance data, an asset register including the age and condition of assets and a schedule of undertaken and planned replacements / refurbishments;</li> <li>▪ A trained member of administrative staff should be responsible for collating data and reports related to the scheme and for inclusion on the Synergy system;</li> <li>▪ The safe yield of the bore has not been determined.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Hard copy files of suppliers, completed maintenance check lists and other site reports should be scanned and filed on the Synergy system;</li> <li>▪ A member of Shire's administrative staff should be given appropriate training and be responsible for entering relevant data and reports onto the Synergy system;</li> <li>▪ In addition files should be established on the Synergy system to record asset performance data, an asset register including the age and condition of assets and a schedule of undertaken and planned replacements / refurbishments; and</li> <li>▪ Water Corporation is approached to determine if files/ records of the bore and rising main construction, testing and alignment are available. If available, the relevant information should be obtained and entered in the asset management information system.</li> </ul>	<p>Recording of information relating to the Peaceful Bay water in Synergy is supported.</p> <p>All staff in the administration building has received Synergy training and new recruits are also trained.</p>	<p>DCRS implemented the Synergy comments in November 2012.</p> <p>Bore yield will be investigated by November 2013.</p>

Key Process	Issue	Recommendations	Post Implementation Plan	Review Date of Implementation	Person Responsible
	<p>The bore and its rising main were installed under the direction of the former Public Works Department of WA (PWD), Information regarding the construction and testing of the bore, its safe yield and a survey of the alignment may be held by PWD's successor – the Water Corporation of WA. Details of the pipeline route are noted to be in PWD survey field book No. 9.7; and</p> <ul style="list-style-type: none"> <li>▪ Council's administrative staff has general access to the Synergy system. However, access to specific areas of the system is restricted to those staff requiring such access as part of their duties. Data security is considered to be adequate.</li> </ul>				
Risk management	<ul style="list-style-type: none"> <li>▪ A Risk Assessment Register is contained in Section 8 of the AMP;</li> <li>▪ The register was prepared following an analysis of threats to the system undertaken in accordance with Schedule 1 of AS/NZS 4360:2004, the Risk Analysis standard;</li> <li>▪ The register identifies nine causes of risk and their implications, existing controls. Basic associated procedures are noted. The likelihood and level of risk are identified on a scale of 1 (lowest) to 5 (highest). However, the risks associated with fire, bacterial and hydrocarbon contamination are not included;</li> <li>▪ The risks identified are reflected in contingency plans; and</li> <li>▪ As with the AMP, the Risk Register has not been reviewed since 2008.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Risk Register should be reviewed and the risks associated with bacterial and hydrocarbon contamination included.</li> </ul>	A review of the water supplies risk register is supported.	DCRS will implement by November 2013.	
Contingency planning	<ul style="list-style-type: none"> <li>▪ Contingency Plans for Peaceful Bay Non-Potable Water Supply are included in Section 10 of the AMP. There are seven events listed, but only broad strategies for response are given. There is no plan covering fire, bacterial or hydrocarbon contamination.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The contingency plans for each risk identified should be reviewed, include fire and hydrocarbon contamination;</li> <li>▪ The Shire should consider undertaking a detailed re-assessment of the overall concept of the current</li> </ul>	Support the development of contingency plans in response to identified risks.	DCRS will implement by November 2013.	

Key Process	Issue	Recommendations	Post Review Implementation Plan	Person Responsible / Date of Implementation
	<p>There is no indication that the strategies have been the subject of staff training or trial drills;</p> <ul style="list-style-type: none"> <li>▪ Whilst the scheme and its operations are basic and the possibility of alternative strategies is limited, Reviewer considers a detailed engineering re-assessment of the scheme's concept and controls would be prudent. Reliance on a single low capacity bore for the bulk of the summer peak supply is unwise. Failure of the bore or its equipment could result in an extended period of supply failure. The construction of a second bore, with appropriate controls and alarms should be investigated. The increased flow from an additional bore may well allow the dam (which is occasionally subject to contamination from septic tank effluent) to be deleted from the system except in an emergency;</li> <li>▪ A September 2003 report by the Department of Health highlighted the risk of septic effluent contamination in the surface and water table discharge toward the reservoir / soak from which the supply is taken. The supply to the caravan site is chlorinated for potable use, whereas the non-potable supply is not. Sampling and testing undertaken by the Shire have indicated e-coli contamination (probably from septic tank effluent) from time to time; and</li> <li>▪ Reviewer recognises that the relevant Shire Officer, the Operator and his resident backup understand the relatively simple contingency actions required. However, these actions should be more detailed for ongoing training purposes, possible legal defence and compliance with the requirements of The Shire's Water Licence. Details should include for example: <ul style="list-style-type: none"> <li>▪ Detailed procedures for implementing each contingency plan;</li> <li>▪ Names and contact details for Shire and relevant</li> </ul> </li> </ul>	<p>scheme;</p> <ul style="list-style-type: none"> <li>▪ Strategies for application of the current plan should be broadened to include detailed procedural steps for their implementation; and</li> <li>▪ Contingency plan implementation should be included in the training regime.</li> </ul>		

Key Process	Issue	Recommendations	Post Implementation Plan	Review Date of Implementation	Person Responsible
	<p>Authorities affected by a given situation, eg Electrical Supply Authority, Fire Brigade, Police, Local Progress Association, Caravan Park Management; and</p> <ul style="list-style-type: none"> <li>Support trades Plumber, Electrician, Pumping /Equipment Hire/Suppliers.</li> </ul>				
Financial planning	<ul style="list-style-type: none"> <li>The Financial Plan for the Peaceful Bay Non-Potable Water Supply is a sub-set of Schedule 13 –Economic Services of the overall annual financial plan for the Shire;</li> <li>The annual financial plan for the water supply includes estimates of expenditure for operating and maintaining the system for the forthcoming ten years. Cost estimates are based primarily on actual costs for the previous year and are escalated at CPI in all cases except salaries and overheads – which are escalated at 4% per annum;</li> <li>Council administrative costs are not included in the operating expenditure, nor are income from allotment lease fees. As stated in Section 1 above, the estimates do not include allowances for planned future expenditure on capital items;</li> <li>The financial package within the Synergy software is used to enter bills and payments and to build up an ongoing income/expenditure against budget record for each department;</li> <li>Reviewer considers the approach taken at present does not indicate the actual cost of operating the scheme or, whether or not the scheme is making a loss on the income from allotment lease fees; and</li> <li>Also, a failure to make budget allowances for planned capital works has the potential to result in a significant budget blow out and/or severe supply interruptions in the event of failure of a major asset</li> </ul>	<ul style="list-style-type: none"> <li>The Financial Plan should allocate all applicable costs and income to the scheme in order to determine its financial viability; and</li> <li>Such costs and projected estimates should include the capital costs of replacement of assets on the basis of their expected useful life and /or their level of performance.</li> </ul>	<p>The will represent a quantum leap for the Peaceful Bay community who are to not paying directly for water services but correct direction to take given the significant costs that will be associated with the outcome of the audit.</p> <p>These recommendations are supported as they will enable the full costs of running and maintaining the supply to be recovered from those running the supply.</p> <p>The Financial Plan should allocate all applicable costs and income to the scheme in order to determine its financial viability. Such costs and projected estimates should include the capital costs of replacement of assets on the basis of their expected useful life</p>	DCRS will undertake by March 2013 so that it can be considered by Council as part of the 2013/2014 budget considerations.	

Key Process	Issue	Recommendations	Post Review Implementation Plan	Person Responsible / Date of Implementation
	or assets.		and/or their level of performance.	
Capital expenditure planning	<ul style="list-style-type: none"> <li>A Capital Investment Plan – based on the remaining life of major assets is included in Section 9 of the AMP (Rev 3). The plan allocates estimated expenditure for the periods 2005-2010, 2010-2015 and for the period beyond 2015. However as for the AMP, the plan has not been reviewed since 2008 and requires updating to the present time. The proposed capital investments have been included in subsequent financial plans;</li> <li>The Shire has a long term annual financial plan extending to 2021. The allowances for the Peaceful Bay non-potable water supply cover escalated annual operation costs. These allowances do not include the capital expenditure suggested in the AMP's Capital Investment Plan; and</li> <li>The Shire does not contribute to a reserve fund.</li> </ul>	<ul style="list-style-type: none"> <li>The Capital investment plan should be reviewed, updated and incorporated in Council's future annual budgets and forward planning estimates.</li> </ul>	A review of the capital investment plan and its incorporation into Council's future annual budgets and forward planning estimates is supported.	DCRS will undertake by April 2013 so that it can be considered by Council as part of the 2013/2014 budget considerations.
Review of AMS	<ul style="list-style-type: none"> <li>The AMP contains an Asset Management Plan Review schedule in Section 12. The schedule allocates review periods of from 1 to 5 years for different elements of the AMP; and</li> <li>However as for the AMP in general, none of the elements have been reviewed since 2008 which represents a non-compliance with the Licence requirement for regular reviews to be undertaken.</li> </ul>	<ul style="list-style-type: none"> <li>A review of all elements of the AMP should be undertaken at two yearly maximum intervals, by a competent person, and that provision be made on each element of the document for the reviewer to sign off with the date and details of any amendments made; and</li> <li>Council should consider implementing an independent assessment of all technical aspects of the scheme, including the bore and rising main adequacy and condition, general operations and maintenance, monitoring, control and alarm.</li> </ul>	<p>Support the need to review the AMP at maximum two year intervals.</p> <p>The level of expenditure involved in implementing an independent assessment of all technical aspects of the scheme, including the bore and rising main adequacy and condition, general operations and maintenance, monitoring, control and alarm is a commitment that must be</p>	DCRS will refer to Council as part of the 2013/2014 budget considerations with the objective of engaging a consulting engineer by November 2013.

Key Process	Issue	Recommendations	Post Implementation Review Plan	Person Responsible / Date of Implementation
			determined by Council through its budget process as it will need to be passed onto Peaceful Bay water supply customers.	

### 3.10 Asset Management Process and Policy Definition Adequacy Ratings

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

#### Asset Management Process and Policy Definition Adequacy Ratings

ERA Guidelines: Table No. 5

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

**Asset Management Performance Ratings**

**ERA Guidelines: Table No. 6**

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



### 3.10.1 Asset Management Effectiveness Summary

Asset Management System	Asset Management Process & Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset Planning	C	3
Asset Creation and Acquisition	C	3
Asset Disposal	B	2
Environmental Analysis	B	2
Asset Operations	C	2
Asset Maintenance	D	4
Asset Management Information System	C	2
Risk Management	B	2
Contingency Planning	B	2
Financial Planning	B	3
Capital Expenditure Planning	C	3
Review of AMS	B	2

### 3.11 Observations and Recommendations

Asset Management System	Systems, Processes and Controls in place at the Shire for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
<p><b>Asset planning</b></p>	<ul style="list-style-type: none"> <li>▪ The Shire's original Asset Management Plan (AMP) (Revisions 1 &amp; 2) was prepared by Consultants;</li> <li>▪ The current AMP, (Revision 3, dated July 2008) was an update prepared for the 2008 – 2009 year by the Shire. This AMP has not been reviewed since 2008 – and, whilst it addresses many of the necessary criteria, a three years maintenance and capital improvement strategy and cost estimate was not included in subsequent financial plans. Most sections of the AMP are out of date, and in some cases, somewhat extraneous;</li> <li>▪ Levels of service (based on the existing supply) are given for water quantity, availability, pressure at connection and minimum storage capacity. The level for supply of 175 kl per day represents the output of the bore operating 24 hours per day. This figure is considered unrealistic in terms of the actual demand and the operating capacity of a bore without a duty standby. There is no indication that service levels are monitored or recorded;</li> <li>▪ The AMP contains no Asset Register or Operation and Maintenance manual – although the latter is referred to in the. Text. Similarly, there are no protocols or pro-forma documents for recording and collating the outcome of inspections, tests or maintenance of the assets;</li> <li>▪ The document has not been presented to Council or signed off by the Shire's CEO;</li> <li>▪ Formal Asset Planning has not been implemented. Budgeting has been based of a broad assessment of</li> </ul>	<ul style="list-style-type: none"> <li>▪ It is recommended the Shire's Asset Management Plan be thoroughly reviewed in order to:               <ul style="list-style-type: none"> <li>▪ Change the tenor of the AMP from that of a report on an engineering due diligence assessment to that of a working document which details the performance requirements of the system, its assets, condition, and requirements for operation, maintenance, and replacement;</li> <li>▪ Service level values should be verified and checked and recorded on a regular basis; and</li> <li>▪ The above should include an asset register, long term capital expenditure plan operation and maintenance procedures and a protocol for reporting and recording inspections, condition and maintenance of assets, together with a schedule for review and updating of the AMP document as a whole.</li> </ul> </li> </ul>	<p style="text-align: center;">C</p>	<p style="text-align: center;">3</p>

Asset Management System	Systems, Processes and Controls in place at the Shire for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<p>the recurrent costs of operating the system. Upgrades such as pump replacement and scour valve installation (noted in the July 2008 AMP Rev 3) were subsequently undertaken from unexpended budget funds as such opportunities occurred - reflecting an ad-hoc approach to balancing expenditure and service standards;</p> <ul style="list-style-type: none"> <li>▪ It is noted that the Shire has implemented a twice weekly summer time operation of sprinklers to reduce consumption. The Shire also issues all lessees with adhesive notices (stating that water is not suitable for drinking) for attachment to outlets from the scheme; and</li> <li>▪ An unexpected equipment failure due to a lack of an asset planning and replacement strategy could severely impact the system in terms of reliability, service quality and customer acceptance.</li> </ul>			
Asset creation and acquisition	<ul style="list-style-type: none"> <li>▪ As stated for asset planning above, the creation of assets is related primarily to Shire's Officer's knowledge of the scheme and their ability to select an asset for replacement mainly when an unexpended budget opportunity arises;</li> <li>▪ The Asset Creation accent is on maintaining the operation of the system within budget cost where possible; and</li> <li>▪ Purchase of assets is undertaken in accordance with Local Government guidelines - supplemented by the requirements of the Shire's own Purchasing Policy document PO 40220.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The recommendations for Item 1 Asset Planning are applicable to Asset Creation and Acquisition.</li> </ul>	C	3
Asset disposal	<ul style="list-style-type: none"> <li>▪ The assets involved are basically a bore, pumps, reticulation pipework and storage tanks;</li> <li>▪ Items replaced to date - with the exception of pumps, would have little or no further use or value. Their</li> </ul>	<ul style="list-style-type: none"> <li>▪ That pumps replaced but not disposed of be serviced / refurbished and retained as spares.</li> </ul>	B	2

Asset Management System	Systems, Processes and Controls in place at the Shire for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<p>disposal would normally involve removal to landfill or similar disposal location; and</p> <ul style="list-style-type: none"> <li>In the case of pumps recently (or due to be) replaced, Shire intends having these serviced / refurbished and retained as spares.</li> </ul>			
Environmental analysis	<ul style="list-style-type: none"> <li>Section 2 of the AMP (Rev 3) contains a summary of the history of the scheme, major facilities, number of services and water demand;</li> <li>The peak water demand is estimated to be 200 KI per day, which exceeds the capacity (175 kl) of the supply bore operating continuously. Flow meter readings are not taken to verify the estimated flows reported;</li> <li>The foregoing comments highlight the high level of reliance of the scheme on the continuous operation of the single supply bore during the summer holiday period;</li> <li>The total pressure storage is now 208 kl. equal to one day of estimated peak demand;</li> <li>The estimated peak demand does not appear to include the requirement of the caravan park or the reduction in the peak due to the Shire's imposition of twice weekly sprinkler use during summer;</li> <li>Regulatory Authorities are noted as the Economic Regulation Authority and its licensing of the Shire to operate the Peaceful Bay Non-Potable Water Supply. Also, the Department of Local Government and Regional Development and its requirement for the Shire to prepare a plan of principal activities for an ongoing period of five years;</li> <li>Environmental issues identified are mainly contamination of the supply from contaminated groundwater and operating the bore at a non-defined</li> </ul>	<ul style="list-style-type: none"> <li>Transfer pump flow meters should be read at least monthly during winter months and weekly during summer periods. Due to the distant location and four wheels drive access requirements of the site, (bore) flow meter readings at monthly intervals should suffice. All readings should be taken on the same day and be recorded on the Shire's Synergy system;</li> <li>Readings should be used to determine and record the actual demand for water (including at the caravan park) and hence assist in evaluating the performance of the system; and</li> <li>The identification of the physical factors associated with the operating environment of the plant should be broadened to coincide with the factors dealt with in the risk analysis/management and contingency plans.</li> </ul>	B	2

Asset Management System	Systems, Processes and Controls in place at the Shire for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<p>sustainable safe yield. There are no references to physical environmental factors such as fire or loss of power, although both are considered in the section on risk analysis; and</p> <ul style="list-style-type: none"> <li>▪ Specific requirements of the National Parks and Conservation Authority regarding access to the bore and clearing of vegetation are noted.</li> </ul>			
Asset operations	<ul style="list-style-type: none"> <li>▪ Operation of the system is undertaken by the proprietor of Bowbridge Plumbing – based some 16 km north of Peaceful Bay. The operator attends to check the system approximately monthly during wet months - when most residences are vacant and water demand is minimal. During this period, an adequate supply is taken from the existing reservoir/soak fed by stormwater and water table inflow - and it is not necessary to operate the bore to augment the supply. However, the bore is operated manually during winter operator visits in order to check the bore and pump are operational;</li> <li>▪ During summer months and Christmas/Easter holiday periods in particular, the bore is operated some 23 hours daily to augment the soak supply and to ensure the higher summer water demand is met;</li> <li>▪ During these higher demand periods, the operator is on-site at least weekly attending to private plumbing contracts in the settlement;</li> <li>▪ In the absence of the operator, a local resident during summer holiday periods - a qualified plumber and former employee of Water Corporation with water system experience, deputises for the operator and is the initial contact for residents on water supply matters;</li> <li>▪ Although the bore pump and transfer pumps are</li> </ul>	<ul style="list-style-type: none"> <li>▪ The existing arrangement with the Operator should be formalised, including a description of his responsibilities, duties, basis of remuneration and expenses recovery etc.;</li> <li>▪ The duties, attendance intervals, operating, maintenance, monitoring and reporting requirements of the Operator should be linked to a fully documented “Operating and Maintenance Manual” - currently referred to in the AMP – but which has not been prepared;</li> <li>▪ Transfer pump flow meters should be read at least monthly during winter months and weekly during summer periods. Due to the distant location and four wheel drive access requirement of the site, bore flow meter readings at monthly intervals should suffice. All readings should be taken on the same day and be recorded on the Shire’s Synergy system;</li> <li>▪ A training program should be implemented to extend the number of persons familiar with the operation, inspections and maintenance of the scheme, contingency plan implementation and reporting. The training should be extended to the present operator, support resident, and three or four members of the Shire’s staff. The training should be based on the AMP and the Operations and Maintenance Manual; and</li> <li>▪ Each trainee should receive a copy of the AMP and</li> </ul>	C	2

Asset Management System	Systems, Processes and Controls in place at the Shire for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<p>each fitted with flow meters, readings are not taken or recorded. Without flow meter records, the actual daily peak and annual demand for water cannot be determined, or reported;</p> <ul style="list-style-type: none"> <li>▪ The Operator has a detailed knowledge of the Peaceful Bay non-potable water system and its operation. He is also fully competent to undertake most repairs and maintenance. However, while the above arrangements appear to work adequately, they are essentially ad hoc in nature and should be more formally arranged;</li> <li>▪ Such formal arrangements should be supported by Operational documentation setting out attendance intervals, operating procedures, flow and quality monitoring, reporting requirements and procedures. It is noted that the AMP refers to an "Operating and Maintenance Manual", however such a document has not been prepared;</li> <li>▪ It is apparent that the operator and holiday resident referred to above understand the operation of the system. However, there is no provision for training of staff or contractors associated with the Peaceful Bay scheme. It is considered that training should be provided in operation, inspections, maintenance, contingency plan implementation and reporting for the scheme. Such training should be provided to the above-mentioned operator and part time resident and to at least three or four Shire staff – possibly the EHO, Project Officer and Ranger, together with a member of the Shire Engineer's Department. The training should be based on the updated AMP and the proposed Operations and Maintenance manual; and</li> <li>▪ Updated copies of the AMP and the Operations and</li> </ul>	<p>Operations and Maintenance manual.</p>		

Asset Management System	Systems, Processes and Controls in place at the Shire for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<p>Maintenance manual should be provided to each of the trainees.</p>			
Asset maintenance	<ul style="list-style-type: none"> <li>▪ Inspection of the Peaceful Bay non-potable water supply system indicated areas where maintenance has been inadequate;</li> <li>▪ The bore site compound is overgrown and the headwork pipework and hardware is severely corroded;</li> <li>▪ The bore pump has not been inspected or serviced since its installation in 2003. Similarly, the bore has not been subjected to a “down the hole” video inspection to determine its depth, construction or condition;</li> <li>▪ The main pumping station is surrounded by scrub and (as for the bore site) would be readily rendered inoperable in a fire;</li> <li>▪ On the other hand, main storage tanks are now regularly de-sludged and reticulation mains are scoured to clear accumulated sludge and algae;</li> <li>▪ Required maintenance and relevant inspections are not documented or supported by check lists for completion and submission to management for recording or action;</li> <li>▪ Responsibility for reporting equipment malfunctions and arrangements for correction/repair are well understood by both the Operator and Shire management – but are not supported by procedure or report pro-forma documentation;</li> <li>▪ A register of the prime assets and their age and condition is referred to in the AMP – but has not been prepared;</li> <li>▪ A list of spare parts– with details of suppliers has not been prepared. It is noted however, that Shire</li> </ul>	<ul style="list-style-type: none"> <li>▪ As for Item 6 – Asset Operations, a detailed “Operating and Maintenance Manual” should be prepared. The manual should include:               <ul style="list-style-type: none"> <li>▪ A detailed list of maintenance and inspections to be undertaken and their frequency. The list should include check sheets verifying the maintenance checks have been undertaken, the date and any applicable notes/comments relevant to the check; and</li> <li>▪ A protocol for completed check sheets to be forwarded to Shire management for recording and noting any action required /taken.</li> </ul> </li> <li>▪ A register of prime assets should be prepared – including the age and condition and remaining life expectancy of each item;</li> <li>▪ A list of spare parts should be prepared, including details of suppliers;</li> <li>▪ Pumps which have been replaced should be refurbished and retained as spares as a matter of urgency. Any pump which cannot be adequately refurbished should be replaced with a new unit;</li> <li>▪ The sole bore supplying water to the system should be subject to a “down the hole” video inspection to determine its depth, construction and condition and (if appropriate) the bore should be re-developed to restore any perceived loss in yield or drawdown;</li> <li>▪ On replacement, the pump should be supported on a stainless steel wire to facilitate its removal and to prevent loss of the pump if the delivery hose currently supporting it fails. Similarly, the bore should be fitted with equipment to measure standing water level and</li> </ul>	D	4

Asset Management System	Systems, Processes and Controls in place at the Shire for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<p>management, has a hard copy file record of asset items and spare parts suppliers;</p> <ul style="list-style-type: none"> <li>▪ It is considered essential that existing bore and main pumps previously replaced (but not disposed of) be refurbished and retained as spares;</li> <li>▪ Ad hoc arrangements are in place with local tradesmen to support Council in facilitating repairs and maintenance;</li> <li>▪ Water samples are taken from some twenty locations in the settlement and tested for coliform bacteria. The results from the water examination laboratory of Pathwest are reviewed by the Shire's Environmental Health Officer (EHO) and any action taken as necessary. The results are then transferred to a spread sheet to provide a continuing record for each sampling site; and</li> <li>▪ Reviewer considers that the spread sheet should include an additional column for noting any comments/actions taken by the EHO. Also, that a protocol should be developed specifying the intervals between sampling which is consistent with season and water demand plus follow up subsequent to unsatisfactory results. Sampling for hydrocarbons should be taken in the vicinity of the fuel storage at least twice annually.</li> </ul>	<p>operational drawdown; and</p> <ul style="list-style-type: none"> <li>▪ Include an additional column for EHO comment on the water test result spread sheet. Prepare a protocol for water testing frequency, follow up and test type.</li> </ul>		
Asset management information system	<ul style="list-style-type: none"> <li>▪ The local government software package "Synergy" is used to enter bills and payments and to build up an ongoing income/expenditure record against budget for each area, including Peaceful Bay non-potable water supply. Details include wages and overheads, accounts rendered/paid. The cost of staff time is not costed to the Peaceful Bay account;</li> <li>▪ The finance department enters all financial data prepares budgets etc. and reviews expenditure</li> </ul>	<ul style="list-style-type: none"> <li>▪ Hard copy files of suppliers, completed maintenance check lists and other site reports should be scanned and filed on the Synergy system;</li> <li>▪ A member of Shire's administrative staff should be given appropriate training and be responsible for entering relevant data and reports onto the Synergy system;</li> <li>▪ In addition files should be established on the Synergy</li> </ul>	C	2



Asset Management System	Systems, Processes and Controls in place at the Shire for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<p>against budget allocation;</p> <ul style="list-style-type: none"> <li>▪ The Synergy system is also used to record incoming and outgoing correspondence, minutes of meetings etc. Incoming mail is scanned and entered into the system;</li> <li>▪ Reviewer considers that the hard copy file of suppliers referred to in Item 6 above, together with completed maintenance check lists and any other site reports should similarly be scanned and stored as identifiable files on the Synergy system. In addition, files should be established on the Synergy system to record asset performance data, an asset register including the age and condition of assets and a schedule of undertaken and planned replacements / refurbishments;</li> <li>▪ A trained member of administrative staff should be responsible for collating data and reports related to the scheme and for inclusion on the Synergy system;</li> <li>▪ The safe yield of the bore has not been determined. The bore and its rising main were installed under the direction of the former Public Works Department of WA (PWD), Information regarding the construction and testing of the bore, its safe yield and a survey of the alignment may be held by PWD's successor – the Water Corporation of WA. Details of the pipeline route are noted to be in PWD survey field book No. 9.7; and</li> <li>▪ Council's administrative staff has general access to the Synergy system. However, access to specific areas of the system is restricted to those staff requiring such access as part of their duties. Data security is considered to be adequate.</li> </ul>	<p>system to record asset performance data, an asset register including the age and condition of assets and a schedule of undertaken and planned replacements / refurbishments; and</p> <ul style="list-style-type: none"> <li>▪ Water Corporation is approached to determine if files/ records of the bore and rising main construction, testing and alignment are available. If available, the relevant information should be obtained and entered in the asset management information system.</li> </ul>		

Asset Management System	Systems, Processes and Controls in place at the Shire for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Risk management	<ul style="list-style-type: none"> <li>▪ A Risk Assessment Register is contained in Section 8 of the AMP;</li> <li>▪ The register was prepared following an analysis of threats to the system undertaken in accordance with Schedule 1 of AS/NZS 4360:2004, the Risk Analysis standard;</li> <li>▪ The register identifies nine causes of risk and their implications, existing controls. Basic associated procedures are noted. The likelihood and level of risk are identified on a scale of 1 (lowest) to 5 (highest). However, the risks associated with fire, bacterial and hydrocarbon contamination are not included;</li> <li>▪ The risks identified are reflected in contingency plans; and</li> <li>▪ As with the AMP, the Risk Register has not been reviewed since 2008.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Risk Register should be reviewed and the risks associated with bacterial and hydrocarbon contamination included.</li> </ul>	B	2
Contingency planning	<ul style="list-style-type: none"> <li>▪ Contingency Plans for Peaceful Bay Non-Potable Water Supply are included in Section 10 of the AMP. There are seven events listed, but only broad strategies for response are given. There is no plan covering fire, bacterial or hydrocarbon contamination. There is no indication that the strategies have been the subject of staff training or trial drills;</li> <li>▪ Whilst the scheme and its operations are basic and the possibility of alternative strategies is limited, Reviewer considers a detailed engineering re-assessment of the scheme's concept and controls would be prudent. Reliance on a single low capacity bore for the bulk of the summer peak supply is unwise. Failure of the bore or its equipment could result in an extended period of supply failure. The construction of a second bore, with appropriate controls and alarms should be investigated. The</li> </ul>	<ul style="list-style-type: none"> <li>▪ The contingency plans for each risk identified should be reviewed, include fire and hydrocarbon contamination;</li> <li>▪ The Shire should consider undertaking a detailed re-assessment of the overall concept of the current scheme;</li> <li>▪ Strategies for application of the current plan should be broadened to include detailed procedural steps for their implementation; and</li> <li>▪ Contingency plan implementation should be included in the training regime.</li> </ul>	B	2

Asset Management System	Systems, Processes and Controls in place at the Shire for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<p>increased flow from an additional bore may well allow the dam (which is occasionally subject to contamination from septic tank effluent) to be deleted from the system except in an emergency;</p> <ul style="list-style-type: none"> <li>▪ A September 2003 report by the Department of Health highlighted the risk of septic effluent contamination in the surface and water table discharge toward the reservoir / soak from which the supply is taken. The supply to the caravan site is chlorinated for potable use, whereas the non-potable supply is not. Sampling and testing undertaken by the Shire have indicated e-coli contamination (probably from septic tank effluent) from time to time; and</li> <li>▪ Reviewer recognises that the relevant Shire Officer, the Operator and his resident backup understand the relatively simple contingency actions required. However, these actions should be more detailed for ongoing training purposes, possible legal defence and compliance with the requirements of The Shire's Water Licence. Details should include for example:               <ul style="list-style-type: none"> <li>▪ Detailed procedures for implementing each contingency plan;</li> <li>▪ Names and contact details for Shire and relevant Authorities affected by a given situation, eg Electrical Supply Authority, Fire Brigade, Police, Local Progress Association, Caravan Park Management; and</li> <li>▪ Support trades Plumber, Electrician, Pumping /Equipment Hire/Suppliers.</li> </ul> </li> </ul>			
Financial planning	<ul style="list-style-type: none"> <li>▪ The Financial Plan for the Peaceful Bay Non-Potable Water Supply is a sub-set of Schedule 13 -Economic Services of the overall annual financial plan for the</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Financial Plan should allocate all applicable costs and income to the scheme in order to determine its financial viability; and</li> </ul>	B	3

Asset Management System	Systems, Processes and Controls in place at the Shire for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<p>Shire;</p> <ul style="list-style-type: none"> <li>▪ The annual financial plan for the water supply includes estimates of expenditure for operating and maintaining the system for the forthcoming ten years. Cost estimates are based primarily on actual costs for the previous year and are escalated at CPI in all cases except salaries and overheads - which are escalated at 4% per annum;</li> <li>▪ Council administrative costs are not included in the operating expenditure, nor are income from allotment lease fees. As stated in Section 1 above, the estimates do not include allowances for planned future expenditure on capital items;</li> <li>▪ The financial package within the Synergy software is used to enter bills and payments and to build up an ongoing income/expenditure against budget record for each department;</li> <li>▪ Reviewer considers the approach taken at present does not indicate the actual cost of operating the scheme or, whether or not the scheme is making a loss on the income from allotment lease fees; and</li> <li>▪ Also, a failure to make budget allowances for planned capital works has the potential to result in a significant budget blow out and/or severe supply interruptions in the event of failure of a major asset or assets.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Such costs and projected estimates should include the capital costs of replacement of assets on the basis of their expected useful life and /or their level of performance.</li> </ul>		
Capital expenditure planning	<ul style="list-style-type: none"> <li>▪ A Capital Investment Plan - based on the remaining life of major assets is included in Section 9 of the AMP (Rev 3). The plan allocates estimated expenditure for the periods 2005-2010, 2010-2015 and for the period beyond 2015. However as for the AMP, the plan has not been reviewed since 2008 and requires updating to the present time. The proposed capital investments have been included in</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Capital investment plan should be reviewed, updated and incorporated in Council's future annual budgets and forward planning estimates.</li> </ul>	C	3

Asset Management System	Systems, Processes and Controls in place at the Shire for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<p>subsequent financial plans;</p> <ul style="list-style-type: none"> <li>▪ The Shire has a long term annual financial plan extending to 2021. The allowances for the Peaceful Bay non-potable water supply cover escalated annual operation costs. These allowances do not include the capital expenditure suggested in the AMP's Capital Investment Plan; and</li> <li>▪ The Shire does not contribute to a reserve fund.</li> </ul>			
Review of AMS	<ul style="list-style-type: none"> <li>▪ The AMP contains an Asset Management Plan Review schedule in Section 12. The schedule allocates review periods of from 1 to 5 years for different elements of the AMP; and</li> <li>▪ However as for the AMP in general, none of the elements have been reviewed since 2008 which represents a non-compliance with the Licence requirement for regular reviews to be undertaken.</li> </ul>	<ul style="list-style-type: none"> <li>▪ A review of all elements of the AMP should be undertaken at two yearly maximum intervals, by a competent person, and that provision be made on each element of the document for the reviewer to sign off with the date and details of any amendments made; and</li> <li>▪ Council should consider implementing an independent assessment of all technical aspects of the scheme, including the bore and rising main adequacy and condition, general operations and maintenance, monitoring, control and alarm.</li> </ul>	B	2

---

## 3.12 Conclusions

The Asset Management Review concluded that the Shire of Denmark manages its water services on an ad-hoc - rather than on the planned and structured basis, required by its licence.

Notwithstanding the foregoing comment, the part time attendance of a competent operator with a sound knowledge of the system; and opportune upgrading of pumps, fire and pressure storage and other items by the Shire from time to time, has enabled the Peaceful Bay Non-Potable Water Supply to perform reliably for its customers at minimum cost.

This review is unfavourable in many areas and the large number of recommendations set out in Paragraph 3.11 of this report, result mainly from the Shire's failure to implement the recommendations of the two previous reviews. As a consequence, the system as a whole is at risk of significant disruption due to inadequacies in the areas of planned asset replacement, operations and training, maintenance, monitoring and reporting.

This review also notes the reliance of the system on a single bore operating continuously to meet the peak summer demand – and the lack of information regarding its construction and condition, pump setting and safe yield. Failure of this bore could result in critical disruption to the system. Given the distance of the bore from the settlement and the requirement for four wheel drive access, the lack of remote monitoring of the flow, drawdown and alarm systems is concerning. Reviewer's opinion is that the whole system should be subject to a technical review - particularly duplication of the bore to increase supply and reliability, the practicability of removing the existing dam from the system and the possibility of disinfecting the increased bore supply to allow potable use.

# 4

## Auditor Information

### 4.1 Audit/Review Team Members and Hours Utilised

Staff	Hours
Cameron Palassis - Director	10
Anton Prinsloo – Senior Audit Consultant	30
Barry Robbins – Barry Robbins Engineering & Project Management	34
<b>TOTAL</b>	<b>74</b>

# 5

## Signature of Auditor

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

---

Cameron Palassis  
Director – Audit and Assurance

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

Date: 18<sup>th</sup> December 2012