

# Shire of Morawa – 2014 Operational Audit and Asset Management System Review

## Post-Audit Implementation Plan

| Reference (no./year) | Non-Compliance/Controls Improvement                                                                                                                                                                    | Auditor's recommendation                                                                                                                                                                                                                                                                                                                                                                                                               | Management action                                                                                                                                                                                                                                                                                                      | Person Responsible | Target Date for Completion |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|----------------------------|
| 1/2015               | <i>B2<br/>Water Services Operating License 2009 Schedule 3 (Clause 4)<br/>We consider that the licensee provided only one of the required two consultation mechanisms identified in clause 4.1(b).</i> | We note that this obligation is no longer in effect and also that the licensee has a close working relationship with its community.                                                                                                                                                                                                                                                                                                    | Maintain current community consultation process.                                                                                                                                                                                                                                                                       | Executive Manager  | Continual                  |
| 2/2015               | <i>B2<br/>Water Services Licensing Act 1995, Clause 5.1<br/>Licensee has not complied with all applicable legislation.</i>                                                                             | We recommend that the licensee prepare a compliance register and reporting procedure based on the Authority's Compliance Reporting Manual to assist in keeping track of its statutory and regulatory obligations. The observations detailed in Table 5-1 in this audit report may be used as the basis for this. Relevant correspondence should be retained and logged in a suitable named and located folder on the licensee's server | Prepare compliance register and reporting procedure based on the DER "Compliance Reporting Manual".                                                                                                                                                                                                                    | Executive Manager  | September 2015             |
| 3/2015               | <i>B2<br/>Water Services Act 2012, Clause 5.3<br/>Licensee has not complied with all of the obligations of the Water Services Code of Conduct (Customer Service Standards) 2013</i>                    | We recommend that the licensee address the recommendations 07/2015 to 16/2015.                                                                                                                                                                                                                                                                                                                                                         | Prepare formal written procedure for the review of a customer bill.<br><br>Provide Information sheet (in standard and large print) for the public detailing the following information: <ul style="list-style-type: none"> <li>• Bill payment methods</li> <li>• Exemptions, rebates and discounts available</li> </ul> | Accountant         | September 2015             |

## Shire of Morawa – 2014 Operational Audit and Asset Management System Review

| Reference (no./year) | Non-Compliance/Controls Improvement                                                                                                                                                                                                                                                                                                     | Auditor's recommendation                                                                                                                                                                                                                                                                                                                           | Management action                                                                                                                                                                           | Person Responsible       | Target Date for Completion |
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| 4/2015               | <p>B2<br/> <i>Water Services Act 2012, Section 82 (4) &amp; (5)</i><br/> <i>The timeframe for returning plans in the Act is more strict than required by Regulation 20 under the Building Act 2011. Because the licensee has aligned its approvals process with the Building Act 2011, it does not comply with this obligation.</i></p> | <p>We recommend that the licensee modify its processes for assessing development work so that it complies with the time requirements of the Water Services Act 2012, Sections 82(4) &amp; (5)</p>                                                                                                                                                  | <p>Building application process revised in consultation with building and planning officers.</p>                                                                                            | <p>Project Officer</p>   | <p>September 2015</p>      |
| 5/2015               | <p>B2<br/> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 7</i><br/> <i>Licensee must have written information for customers about the specified matters under section 21(2)(c) or (3)(c) and section 73 of the Act.</i></p>                                                                               | <p>Update the existing Customer Service Charter to reflect the required information about connections as required under section 21(2)(c) or (3)(c) and section 73 of the Act. (obligation 93 of the 2014 compliance manual).<br/>                     Alternatively, the licensee may prepare a new information document covering these topics</p> | <p>Prepare information Pamphlet detailing connection information as required under section 21(2)(c) or (3)(c) and section 73 of the Act. (obligation 93 of the 2014 compliance manual).</p> | <p>Executive Manager</p> | <p>September 2015</p>      |
| 6/2015               | <p>B2<br/> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 18(2)</i><br/> <i>License does not have a formal written procedure for the review of a bill on the customer's request</i></p>                                                                                                                    | <p>Prepare a written procedure for review of a bill consistent with the requirements of the Code, Compliance Manual 2014 obligations 114 to 116.</p>                                                                                                                                                                                               | <p>Prepare formal written procedure for the review of a customer bill.</p>                                                                                                                  | <p>Accountant</p>        | <p>September 2015</p>      |
| 7/2015               | <p>B2<br/> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clauses 18(3) &amp; (6)</i></p>                                                                                                                                                                                                                         | <p>Refer to recommendation 06/2015</p>                                                                                                                                                                                                                                                                                                             | <p>Prepare formal written procedure for the review of a customer bill.<br/><br/>                     Provide Information sheet (in standard and large</p>                                   | <p>Accountant</p>        | <p>September 2015</p>      |

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| Reference (no./year) | Non-Compliance/Controls Improvement                                                                                                                                                                         | Auditor's recommendation                                                                                                                                                                                                                    | Management action                                                                                                                                                                          | Person Responsible | Target Date for Completion |
|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|----------------------------|
|                      | <i>License does not have a formal written procedure for the review of a bill on the customer's request.</i>                                                                                                 |                                                                                                                                                                                                                                             | print) for the public detailing the following information: <ul style="list-style-type: none"> <li>• Bill payment methods</li> <li>• Exemptions, rebates and discounts available</li> </ul> |                    |                            |
| 8/2015               | <i>B2<br/>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 18(4)<br/>License does not have a formal written procedure for the review of a bill on the customer's request.</i>       | Refer to recommendation 06/2015                                                                                                                                                                                                             | Prepare formal written procedure for the review of a customer bill.                                                                                                                        | Accountant         | September 2015             |
| 9/2015               | <i>Non-compliance – B2<br/>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 21(1)<br/>The licensee does not have direct debit payment method to allow a customer to pay a bill.</i> | In addition to the other bill payment options, the licensee to make provision of direct debit services available as identified in its Financial Hardship Policy and as consistent with the Authority's Financial Hardship Policy Guidelines | Review billing framework and incorporate Direct Debit Service.                                                                                                                             | Accountant         | September 2015             |
| 10/2015              | <i>B3<br/>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(1)<br/>The Licensee's complaints procedure is not fully documented</i>                                                | Prepare and implement a complaints handling procedure consistent with the requirements of AS ISO 10002 and Clause 35 of the Water Service Code of Conduct.                                                                                  | Review complaints procedure and align to AS ISO 10002 and Clause 35 of the Water Service Code of Conduct.                                                                                  | Executive Manager  | September 2015             |
| 11/2015              | <i>B3<br/>Water Services Code of Conduct</i>                                                                                                                                                                | Refer to recommendation 10/2015                                                                                                                                                                                                             | Review complaints procedure and align to AS                                                                                                                                                | Executive Manager  | September 2015             |

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| Reference (no./year) | Non-Compliance/Controls Improvement                                                                                                                                                                                                                                                                                                                                                              | Auditor's recommendation        | Management action                                                                                                      | Person Responsible | Target Date for Completion |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|------------------------------------------------------------------------------------------------------------------------|--------------------|----------------------------|
|                      | <i>(Customer Service Standards) 2013, Clause 35(2)<br/>The Licensee's complaints procedure is not fully documented or consistent with AS ISO 10002</i>                                                                                                                                                                                                                                           |                                 | ISO 10002 and Clause 35 of the Water Service Code of Conduct.                                                          |                    |                            |
| 12/2015              | <i>B3<br/>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(3)<br/>Licensee's complaints procedure does not fully address the matters specified in relation to lodgement of complaints, responding to complaints, dispute resolution arrangements and resolving complaints.</i>                                                                                        | Refer to recommendation 10/2015 | Review complaints procedure and align to AS ISO 10002 and Clause 35 of the Water Service Code of Conduct.              | Executive Manager  | September 2015             |
| 13/2015              | <i>Non-compliance – B3<br/>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(4)<br/>Licensee's complaints procedure does not fully address the requirements about informing customers that they do not have to use the licensee's complaints procedure, the procedures under the Act and the costs and benefits of the different complaints resolution approaches.</i> | Refer to recommendation 10/2015 | Review complaints procedure and align to AS ISO 10002 and Clause 35 of the Water Service Code of Conduct.              | Executive Manager  | September 2015             |
| 14/2015              | <i>Non-compliance – B3<br/>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(6)<br/>Licensee's complaints procedure consistent with Clause 35 is not publically available</i>                                                                                                                                                                                          | Refer to recommendation 10/2015 | Reviewed and updated complaints procedure and align to AS ISO 10002 and Clause 35 of the Water Service Code of Conduct | Executive Manager  | September 2015             |

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| Reference (no./year) | Non-Compliance/Controls Improvement                                                                                                                                                                                               | Auditor's recommendation                                                                                                                                                                                         | Management action                                                                                                                                                                                                                                  | Person Responsible | Target Date for Completion   |
|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|------------------------------|
| 15/2015              | <p><i>B2</i><br/> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 26(3)</i></p> <p><i>The Financial Hardship Policy was approved by the Authority on 4 July 2014. This was after the due date</i></p> | No recommendation required.                                                                                                                                                                                      |                                                                                                                                                                                                                                                    |                    |                              |
| 16/2015              | <p><i>B2</i><br/> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 37(1)</i></p> <p><i>The licensee does not make all of the prescribed information publicly available</i></p>                         | <p>Provide the following information publically:</p> <ul style="list-style-type: none"> <li>• Bill payment methods</li> <li>• Exemptions, rebates and discounts available</li> </ul> <p>Large print services</p> | <p>Provide Information sheet (in standard and large print) for the public detailing the following information:</p> <ul style="list-style-type: none"> <li>• Bill payment methods</li> <li>• Exemptions, rebates and discounts available</li> </ul> | Accountant         | September 2015               |
| 17/2015              | <p><i>B2</i><br/> <i>Water Services Act 2012 Section 12, (Licence Clause 15)</i></p> <p>The licensee did not inform the Authority of general works as required</p>                                                                | The licensee should update its works procedures to include notifying the ERA of general works as part of its other notification processes.                                                                       | Waste Water Treatment Plant and Sewerage Reticulation asset management and completed works information provided by letter to ERA annually.                                                                                                         | Executive Manager  | October 2015 (then Annually) |
| 18/2015              | <p><i>B2</i><br/> <i>Water Services Act 2012 Section 29, (Licence Clause 26)</i></p> <p><i>The licensee has not complied with all of the duties imposed on it, specifically the requirements of the Code of</i></p>               | Refer to Recommendations 07/2015 to 16/2015                                                                                                                                                                      | Review code of conduct and modify to meet and Water Services Act 2012 requirements.                                                                                                                                                                | Project Officer    | October 2015                 |

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| Reference (no./year) | Non-Compliance/Controls Improvement                | Auditor's recommendation | Management action | Person Responsible | Target Date for Completion |
|----------------------|----------------------------------------------------|--------------------------|-------------------|--------------------|----------------------------|
|                      | <i>Conduct as set summarised in Obligation 11.</i> |                          |                   |                    |                            |

### Post-Review Implementation Plan

| Reference (no./year) | Asset System Deficiency                                                                                                                        | Auditor's recommendation                                                                                                                                                                                                  | Management action                                                                                | Person Responsible                               | Target Date for Completion |
|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|--------------------------------------------------|----------------------------|
| 19/2015              | <i>B3<br/>Asset disposal -There is a replacement strategy for assets<br/>Asset replacement is planned for on the basis of asset age only</i>   | We recommend that the Shire undertake a condition assessment of its assets (all facility assets and a sample only of sewer mains) to inform its renewals planning and to identify any possible health and safety hazards. | Complete condition assessment of its assets.                                                     | Works Supervisor, Accountant and Project Officer | April 2016                 |
| 20/2015              | <i>B3<br/>Environmental analysis - Opportunities and threats in the system environment are assessed<br/>There is limited evidence that the</i> | We consider that the Shire should review the risk assessment to identify whether other mitigation measures, management strategies or contingencies plans are appropriate.                                                 | Complete review and update of mitigation measures, management strategies or contingencies plans. | Works Supervisor, Accountant and Project Officer | April 2016                 |

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| Reference (no./year) | Asset System Deficiency                                                                                                                                                                                                                                                                                                                                         | Auditor's recommendation                                                                                                                                                                                                                                           | Management action                                 | Person Responsible                               | Target Date for Completion |
|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|--------------------------------------------------|----------------------------|
|                      | <i>outcomes of the risk assessment inform how the Shire's assets are managed. For example, the only mitigation and management strategy noted is to inspect for blockages regularly.</i>                                                                                                                                                                         |                                                                                                                                                                                                                                                                    |                                                   |                                                  |                            |
| 21/2015              | <i>B2<br/>Environmental Analysis - Compliance with statutory and regulatory requirements<br/>The operational audit has found that the Shire has not complied with all of its regulatory requirements.</i>                                                                                                                                                       | We recommend that the Shire prepare a compliance register based on the Authority's Compliance Report Manual to assist in keeping track of its statutory and regulatory obligations. The observations table in this audit report may be used as the basis for this. | Complete Compliance Register,                     | Executive Manager                                | January 2016               |
| 22/2015              | <i>B2<br/>Asset operations – Operational policies and procedures are documented and linked to service levels required<br/>Operational procedures are set out in the 'Procedures, rules and maintenance' document. This document adequately describes operations and maintenance activities for the sewerage scheme.</i>                                         | This document was last revised in 2009 and should be reviewed.                                                                                                                                                                                                     | Review of Asset operation and procedures document | Works Supervisor, Accountant and Project Officer | April 2016                 |
| 23/2015              | <i>B3<br/>Asset operations - Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data<br/>The Shire has an asset register documenting asset type, location, material and financial information. However, asset condition is not</i> | As for 19/2015:<br>We recommend that the Shire undertake a condition assessment of its assets (all facility assets and a sample only of sewer mains) to inform its renewals planning and to identify any possible health and safety hazards.                       | Complete condition assessment of its assets.      | Works Supervisor, Accountant and Project Officer | April 2016                 |

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| Reference (no./year) | Asset System Deficiency                                                                                                                                                                                                                                                                                                                                                  | Auditor's recommendation                                                                                                                                                                                                                                                           | Management action                                                                    | Person Responsible                               | Target Date for Completion |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------|----------------------------|
|                      | <i>documented. There is a separate condition and performance spreadsheet with some condition information but this is out of date</i>                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                    |                                                                                      |                                                  |                            |
| 24/2015              | <i>B2<br/>Asset maintenance - Maintenance policies and procedures are documented and linked to service levels required<br/>Maintenance procedures are set out in the 'Procedures, rules and maintenance' document. This document adequately describes operations and maintenance activities for the sewerage scheme.</i>                                                 | As for 22/2015 - This document was last revised in 2009 and should be reviewed.                                                                                                                                                                                                    | Review of Asset operation and procedures document                                    | Works Supervisor, Accountant and Project Officer | April 2016                 |
| 25/2015              | <i>C3<br/>Asset maintenance - Regular inspections are undertaken of asset performance and condition<br/>We noted at our site inspection that a number of assets at the pumping station appear to be close to the end of their useful life or possibly a health and safety hazard and recommend that the Shire has these assets inspected by an experienced engineer.</i> | As for 19/2015:<br>We recommend that the Shire undertake a condition assessment of its assets (all facility assets and a sample only of sewer mains) to inform its renewals planning and to identify any possible health and safety hazards.                                       | Complete condition assessment of its assets.                                         | Works Supervisor, Accountant and Project Officer | April 2016                 |
| 26/2015              | <i>B3<br/>Risk management - Risks are documented in a risk register and treatment plans are actioned and monitored<br/>It appears that the risk register does not inform management of the assets, e.g. through treatment plans or contingency plans.</i>                                                                                                                | We recommend that the Shire updates its risk assessment to: <ul style="list-style-type: none"> <li>▪ Account for its new operating licence</li> <li>▪ Extend the risk assessment to the effluent reuse scheme</li> <li>▪ Identify the mode of failure on which the risk</li> </ul> | Review and update Risk Register, incorporating treatment plans and contingency plans | Executive Manager                                | January 2016               |



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| Reference (no./year) | Asset System Deficiency                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Auditor's recommendation                                                                                          | Management action                                                                    | Person Responsible | Target Date for Completion |
|----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|--------------------|----------------------------|
|                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | assessment is based<br>Identify appropriate risk management strategies and treatment plans for high risks         |                                                                                      |                    |                            |
| 27/2015              | <i>B3<br/>Risk management - The probability and consequence of risk failure are regularly assessed<br/>The asset risks have been determined for each individual asset (e.g. section of pipe). No failure mode has been identified. A failure mode should be identified as different failure modes will likely have different risks associated with them. Also, different failure modes will likely suggest different risk management strategies.<br/>The risk assessment has not been extended to the effluent reuse scheme.</i> | As for recommendation 26/2015                                                                                     | Review and update Risk Register, incorporating treatment plans and contingency plans | Executive Manager  | January 2016               |
| 28/2015              | <i>C3<br/>Contingency planning- Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks<br/>No evidence of formal contingency plans was provided at our review</i>                                                                                                                                                                                                                                                                                                        | The Shire should prepare and test contingency plans for its higher risks                                          | Prepare and formalise contingency plans.                                             | Executive Manager  | January 2016               |
| 29/2015              | <i>B3<br/>Financial planning - The financial plan identifies the source of funds for capital expenditure and recurrent costs<br/>The financial plan does not identify sources of funds for capital</i>                                                                                                                                                                                                                                                                                                                           | The financial plan should be updated to identify the sources of funds for capital expenditure and recurrent costs | Update Financial Plan                                                                | Accountant         | January 2016               |

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| Reference (no./year) | Asset System Deficiency                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Auditor's recommendation                                                                                     | Management action               | Person Responsible | Target Date for Completion |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|---------------------------------|--------------------|----------------------------|
|                      | expenditure and recurrent costs                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                              |                                 |                    |                            |
| 30/2015              | <p><i>B3</i><br/> <i>Financial planning - The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets)</i></p> <p><i>The financial plan includes long term projections for both operating and capital expenditure. However, the financial plan does not include forecasts of revenue and therefore profit/loss. It also does not include forecasts or actual movements in the sewerage reserve.</i></p>                                                                            | The financial plan should be revised to include projections for revenue, profit/loss and financial position. | Update Financial Plan           | Accountant         | January 2016               |
| 31/2015              | <p><i>B3</i><br/> <i>Financial planning - The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period</i></p> <p><i>Income and expenses for the sewerage scheme are accounted for under the Community Amenities cost centre. This cost centre includes other services such as waste collection. Therefore, it is not possible to separately identify income and profit/loss for the sewerage scheme. The sewerage scheme reserve fund is separately accounted for though.</i></p> | As for 30/2015                                                                                               | Update Financial Plan           | Accountant         | January 2016               |
| 32/2015              | <p><i>B3</i><br/> <i>Financial planning - Significant</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | We recommend that the Shire track actual expenditure for the sewerage                                        | Budgetary Tracking Modification | Accountant         | July 2015                  |

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| Reference (no./year) | Asset System Deficiency                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Auditor's recommendation                                                                                                                                                                                              | Management action                                                                                                                                                                    | Person Responsible | Target Date for Completion |
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|                      | <p><i>variances in actual / budget income and expenses are identified and corrective action taken where necessary</i></p> <p><i>Variances to budget are detailed for the Community Amenities cost centre</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <p>scheme against budget in a spreadsheet</p>                                                                                                                                                                         |                                                                                                                                                                                      |                    |                            |
| 33/2015              | <p><b>C3</b><br/><i>Capital expenditure planning - The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan</i></p> <p><i>We note the following regarding the calculated renewals annuity:</i></p> <ul style="list-style-type: none"> <li><i>– Costs are based on a 1999 valuation and have been indexed to current values. The currency of the replacement/renewal costs should be reviewed</i></li> <li><i>– Replacement is based on asset age only, not condition. Condition assessment should be used to inform the renewals forecast to provide a more accurate forecast.</i></li> <li><i>– 3.5% is used to inflate current costs to arrive at future costs. A lower inflation rate is likely to be appropriate (in conjunction with an appropriate discount rate).</i></li> </ul> | <p>We recommend that the Shire update its asset register and renewals forecast with: up to date replacement costs, condition data, replacement dates based on condition and appropriate inflation/discount rates.</p> | <p>Update asset register and renewals forecast with up to date replacement costs, condition data, replacement dates based on condition and appropriate inflation/discount rates.</p> | Accountant         | October 2015               |