

---

**Shire of Gnowangerup**  
**2005 Operational Audit and**  
**Asset Management System Review**

**Final Report**

---



January 2006



# Table of Contents

EXECUTIVE SUMMARY		
1	INTRODUCTION	1
2	OBJECTIVES AND SCOPE	2
	2.1 Operational Audit	2
	2.2 Asset Management System Review	2
3	RISK ASSESSMENT	4
4	METHODOLOGY	5
	4.1 Approach	5
	4.2 Task 1 - Risk Assessment	5
	4.3 Task 2 – Develop Audit and Review Plan	5
	4.4 Task 3 – Site Visit	5
	4.5 Task 4 - Reporting and Follow Up	6
	4.6 Compliance Key	7
5	PERIOD COVERED BY THE AUDIT/REVIEW	8
6	STAFF RESOURCES	9
	6.1 SOG Representatives	9
	6.2 Audit and Review Team	9
7	REVIEW OF PREVIOUS AUDIT RECOMMENDATIONS	10
	7.1 Aquaterra Consulting Audit – March 2003	10
8	OPERATIONAL AUDIT – SPECIFIC COMPLIANCE ISSUES EXAMINED	11
	8.1 Compliance Key	11
	8.2 Shire of Gnowangerup Operational Audit Checklist	11
9	SUMMARY OF OPERATIONAL AUDIT FINDINGS	20
	9.1 Asset Management System (Clause 6)	20
	9.2 Specific Information to be provided (Clause 14)	20
	9.3 Asset Management System (Clause 6)	20

---

9.4	Specific Information to be provided (Clause 14)	21
9.5	Performance Standards (Clause 15) – Emergency response	21
9.6	Customer Service Charter (Clause 19)	21
<b>10</b>	<b>ASSET MANAGEMENT SYSTEM REVIEW – KEY OUTPUTS AND PERFORMANCE</b>	<b>22</b>
10.1	Effectiveness Rating Scale	22
10.2	Asset Planning/Creation/Acquisition	23
10.3	Environmental Analysis	24
10.4	Asset Management System Analysis	25
10.5	Risk Analysis and Contingency Planning	28
10.6	Financial Planning	30
10.7	Capital Expenditure Planning	31
10.8	Review of Asset Management Plan	32
<b>11</b>	<b>SUMMARY OF ASSET MANAGEMENT REVIEW FINDINGS</b>	<b>33</b>
11.1	Introduction	33
11.2	Specific Findings and Recommendations from Current Review	33
	11.2.1 Asset Planning/Creation/Acquisition	33
	11.2.2 Environmental Analysis	33
	11.2.3 Asset Management System Analysis	34
	11.2.4 Risk Analysis and Contingency Planning	34
	11.2.5 Financial Planning	34
	11.2.6 Capital Expenditure Plan	34
	11.2.7 Review	35
<b>12</b>	<b>REFERENCES</b>	<b>36</b>

# Executive Summary

## Background

The Shire of Gnowangerup (SOG) has been issued an Operating Licence for the provision of sewerage and non-potable water supplies in the town of Ongerup until 29<sup>th</sup> April 2021.

The Licence permits SOG to provide non-potable water supply services and sewerage services in the operating areas that are centred on the township of Ongerup, in the Great Southern Region of the State of Western Australia. The Economic Regulation Authority (Authority/ERA) monitors the operational performance of SOG against its Operating Licence.

The Ongerup sewerage system consists of a limited effluent disposal system which utilises septic tanks on each property and directs the effluent from these into a series of four oxidation ponds. The entire system is gravity fed and there are no pumps used.

In accordance with Section 37 (1) of the *Water Services Licensing Act 1995*, operational audits are required to be undertaken not less than once in every 36 month period, or more frequently if the Authority so directs the Licensee. The primary role of this audit is to provide the Authority with an assessment of the effectiveness of measures taken by SOG to maintain those quality and performance standards that are referred to in SOG's Operating Licence.

Section 36 of the *Water Services Licensing Act 1995* and Clause 6 of SOG's Operating Licence, require SOG to provide and maintain an asset management system in respect of its assets. The system must set out the measures to be taken by SOG for the proper maintenance of its assets and for the undertaking, maintenance and monitoring of its water services works.

The Act further requires SOG to provide the Authority with a report by an independent expert on the effectiveness of the asset management system.

SOG, with the approval of the Authority, commissioned SMEC Australia to conduct the 2005 operational audit and review of their asset management system. This report documents the findings of the audit/review.

## Objectives and Scope of Audit and Review

The primary objective of the operational audit is to determine the effectiveness of measures taken by the Shire of Gnowangerup (SOG) to maintain those quality and performance standards which are referred to in SOG's Operating Licence. Specifically, the audit considered the systems and effectiveness of processes used by SOG to ensure compliance with the standards, outputs and outcomes required by the Licence.

The *Water Services Licensing Act 1995* also requires that SOG provide for and maintain an asset management system. The system must set out the measures to be taken by SOG for the proper maintenance of its assets and for the undertaking, maintenance and monitoring of its water services works. The Act further requires SOG to provide the Authority with a report by an independent expert on the effectiveness of the system.

The asset management system review will provide an opinion to the Authority on whether SOG has in place the appropriate systems for the planning, construction, operation and maintenance of its water services works. In reaching this opinion, the review examined;

- the adequacy of the asset management system by considering the outputs of the system, such as the operations and maintenance plans, asset registers and financial plans;
- the effectiveness of the asset management system by considering the systems established for the planning, construction, operation and maintenance of works;
- whether the system provides for the identification, development and implementation of strategic initiatives to improve the effectiveness of asset management;
- the Licensee's response to the recommendations made in previous reviews (if any have been conducted).

The review will also focus on identifying those aspects of the asset management system which may be further strengthened, with the view to providing feedback to SOG on the adequacy and effectiveness of the system.

## Time Frame of the Audit and Review

The audit and review covered the period from 1 December 2002 to 30 November 2005.

## Operational Audit Conclusion

Since the audit in 2003, SOG has responded positively to the recommendations made, with most of the previous recommendations having been addressed. The Operational Audit Risk Assessment identified the key risks and hence areas the auditors needed to concentrate their efforts on during the audit. The audit identified no elements of high inherent risk. The results of the assessment of the relevant standards, outputs and outcomes are summarised in the following table:

Only two non-compliances were found. A Maintenance Register was not in place and the Schedule 3 form had not been submitted to the Authority within 30 days of the end of the financial year.

### Summary Level of Compliance

Clause/Schedule	Standard	Compliance Scale
Clause 2(b)	Operating Area Schedule	Good
Clause 6	Asset Management	<b>Inadequate</b>
Clause 8	Technical Standards	Good
Clause 9	Industry Standards	Good
Clause 10	Accounts	Good
Clause 11	Prices or charges	Good
Clause 12	Methods or principles to be applied in the provision of Water Services	Good
Clause 14	Specific information to be provided	<b>Inadequate</b>
Clause 15/Sched 2	Performance Standards	Good
Charter	Overflows	Good
Charter	Blockages	Good
Charter	Emergency response	Largely adequate

Clause/Schedule	Standard	Compliance Scale
Charter	Responsiveness to Customer Complaints	Good
Clause 16	Terms and conditions of customer contracts	N/A
Clause 17	Obligations to public authorities and other Licensees	Good
Clause 18	Consumer Consultation	Good
Clause 19	Customer Service Charter	Good
Clause 20	Dispute Resolution	Good

Excellent:	Exceeds requirement
Good:	Meets requirements
Largely adequate:	Meets requirements – improvement suggested
Inadequate:	Does not meet minimum requirement
N/A :	Not applicable

### Asset Management System Review Conclusion

The review to closeout the recommendations from the previous audit showed that good progress has been made in all aspects previously commented on.

The review revealed that SOG's assets present to a high standard and capitalisation appears to be relevant to the scale of operations undertaken. This reflects well on the level of management and operating skill and commitment devoted to the operation of the areas under licence to SOG.



### Summary of System Effectiveness

Activity	Description	Effectiveness Scale
Asset Planning/Creation /Acquisition	Asset creation/acquisition means the provision or improvement of an asset where the outlay can be expected to provide benefits beyond the year of outlay	Good
Environmental Analysis	Environmental analysis examines the asset system environment and assesses all external factors affecting the asset system.	Largely adequate to Good
Asset System Analysis	<p>Asset system analysis examines and documents the system and process for its effective operations.</p> <p>Operation Plans document the knowledge of staff in the operation of assets.</p> <p>Maintenance Plans cover the scheduling and matching of resources to the maintenance task so that work can be done on time and on cost. The Maintenance Plans should cover preventative and corrective maintenance.</p> <p>Assessment of the asset system analysis components included examination of the asset register.</p>	Good
Risk Analysis and Contingency Planning	<p>Risk analysis involves the identification of risks and management to reduce the level of risk.</p> <p>Contingency plans document the steps to deal with an unexpected failure of a process, procedure or the asset management system itself.</p>	Good
Financial Planning	The financial planning component of the asset management plan brings together the financial elements of the scheme to ensure its financial viability over the long term.	Good
Capital Expenditure Planning	The capital expenditure plan provides a schedule of new works, rehabilitation and replacement works, together with estimated annual expenditure on each over the next five or more years.	Good
Review	Review of the asset management plan assists to ensure the effective development and operation of asset management plans.	Largely adequate

## Statement of Declaration

This report has been prepared in accordance with the Scope and Guidelines for Water Service Licence: Operational Audit and Asset Management Reviews issued by the Economic Regulation Authority. The audit and review findings reflect the professional opinion of the Lead Auditor.

It is the Auditors' view that the Shire of Gnowangerup is achieving a good level of compliance with the requirements of the Operating Licence. This report has identified one instance in which SOG's full compliance with Licence requirements needs to be improved.

The review revealed that SOG's assets present to a high standard and capitalisation appears to be relevant to the scale of operations undertaken. This reflects well on the level of management and operating skill and commitment devoted to the operation of the areas under licence to SOG.

It is the Auditor's professional opinion that the Shire of Gnowangerup has appropriate systems in place for the planning, construction, operation and maintenance of its assets.

Mark Warner  
Lead Auditor

# 1 Introduction

In August 2005 SMEC Australia was awarded a consultancy by SOG, with the approval of the Authority, to undertake the 2005 Operational Audit and Asset Management System Review. The audit/review assessed:

- the adequacy and effectiveness of measures taken by SOG to maintain those quality and performance standards referred to in the Licence, and
- the effectiveness of processes implemented by SOG to maintain assets used in the provision of water services and for the undertaking, maintenance and operation of water service works.

Following acceptance of the Audit and Review Plan by SOG and the Authority, Mark Warner undertook the on-site component of the audit and review on 30<sup>th</sup> November 2005.

This report summarises the findings of the Operational Audit and Asset Management Review and identifies areas of the asset management system that could be improved or enhanced.

## 2 Objectives and Scope

### 2.1 Operational Audit

In accordance with Section 37 (1) of the *Water Services Licensing Act 1995* operational audits are required to be undertaken not less than once in every 36 month period, or more frequently if the Authority so directs the Licensee.

The primary objective of this audit is to determine the effectiveness of measures taken by SOG to maintain those quality and performance standards which are referred to in SOG's Operating Licence.

Specifically, the audit considered the systems and effectiveness of processes used by SOG to ensure compliance with the following standards, outputs and outcomes required by the current Licence.

To assist the audit process, a risk assessment was undertaken of non-compliance with licence standards, and the adequacy of internal controls. The assessments made for each process were used to determine the nature and extent of the audit tests to be carried out. Section 3 summarises the results of this risk assessment.

### 2.2 Asset Management System Review

The *Water Services Licensing Act 1995* also requires that SOG provide for and maintain an asset management system. The system must set out the measures to be taken by SOG for the proper maintenance of its assets and for the undertaking, maintenance and monitoring of its water services works.

This review provides an opinion to the Authority on whether SOG has in place the appropriate systems for the planning, construction, operation and maintenance of its assets. In reaching this opinion, the review examined:

- the adequacy of the asset management system by considering the outputs of the system, such as the operations and maintenance plans, asset registers and financial plans;
- the effectiveness of the asset management system by considering the systems established for the planning, construction, operation and maintenance of works;
- whether the system provides for the identification, development and implementation of strategic initiatives to improve the effectiveness of asset management;

- the Licensee's response to the recommendations made in previous reviews (if any have been conducted).

The review also focused on identifying those aspects of the asset management system which may be further strengthened, with the view to providing feedback to SOG on the adequacy and effectiveness of the system.

### 3 Risk Assessment

Operating Licence Compliance Element	Operating Licence Reference	Failure during period audited				Likelihood (2)	Inherent Risk (3)	Adequacy of Existing Controls (4)	Priority (5)
		Consequence (1)							
		C1	C2	C3	O				
<b>OPERATING AREAS</b>									
Water Services in designated operating area	<i>Sched 1</i>	1	1	2	<b>1</b>	E	Nil	Strong	≥ 5
<b>CUSTOMER COMPLAINTS</b>									
Recorded	<i>Clause 20(a), (b)</i>	2	1	1	<b>1</b>	B	Low	Strong	≥ 5
Investigation, conciliation & arbitration	<i>Clause 20</i>	3	2	2	<b>2</b>	C	Low	Strong	≥ 5
Responsiveness (eg solution within 21 days)	<i>Sched 2 sec 4</i>	3	2	2	<b>3</b>	C	Medium	Strong	4
<b>CUSTOMERS</b>									
Charter in place, reviewed and followed	<i>Clause 19</i>	1	3	2	<b>3</b>	D	Medium	Weak	3
Ongoing consultation and feedback established	<i>Clause 18</i>	1	3	2	<b>2</b>	C	Low	Strong	≥ 5
<b>WATER SERVICES PROVISION</b>									
Conditions for connection followed	<i>Clause 4</i>	2	2	2	<b>2</b>	D	Low	Strong	≥ 5
Availability	<i>Clause 12(b)</i>	2	2	2	<b>2</b>	E	Low	Strong	≥ 5
Discontinuance	<i>n.a.</i>								
Billing	<i>n.a.</i>								
<b>INFO PROVIDED TO AUTHORITY</b>									
Customer complaints (12 monthly)	<i>Sched 3</i>	1	1	2	<b>1</b>	D	Nil	Weak	≥ 5
Quarterly reports	<i>n.a.</i>								
Annual Benchmarking report	<i>Sched 3</i>	1	1	3	<b>2</b>	D	Low	Strong	≥ 5
Incidents (reported within 5 days)	<i>Clause 14</i>	2	2	3	<b>2</b>	C	Low	Weak	≥ 5
<b>CONTRACTING OF SERVICES</b>									
Maintenance of Licence Standards	<i>Clause 12</i>	3	3	3	<b>3</b>	D	Medium	Strong	4
<b>STANDARDS</b>									
Adherence to Regulation	<i>Clause 5</i>	3	3	3	<b>3</b>	C	Medium	Strong	4
Adherence to technical standards	<i>Clause 8</i>	2	2	3	<b>3</b>	E	Low	Strong	≥ 5
Adherence to industry codes	<i>Clause 9</i>	2	2	3	<b>3</b>	E	Low	Strong	≥ 5
Accounting records – prepared to standard	<i>Clause 10</i>	2	2	3	<b>3</b>	D	Medium		4
Pricing and charges – approval of ERA	<i>Clause 11</i>	2	2	2	<b>2</b>	D	Low	Strong	≥ 5
Services provided by agreement documented	<i>Clause 12</i>	3	3	3	<b>3</b>	D	Medium	Strong	≥ 5
Obligations to other licensees adhered to	<i>n.a.</i>								
Customers advised re planned disruptions	<i>As per charter</i>	3	3	3	<b>3</b>	C	Medium	Strong	4
Customers contacted re emergency shutdowns	<i>As per charter</i>	3	3	3	<b>3</b>	C	Medium	Strong	4
Emergency telephone service operational	<i>Clause 15(c)</i>	3	3	3	<b>3</b>	C	Medium	Strong	4
<b>STANDARDS SPECIFIC TO:</b>									
<b>DRINKING WATER</b>									
Quality	<i>n.a.</i>								
Pressure and flow	<i>n.a.</i>								
Interruptions	<i>n.a.</i>								
Drought response	<i>n.a.</i>								
Leaks and bursts	<i>n.a.</i>								
<b>NON-POTABLE WATER</b>									
Annual notification water not safe for drinking	<i>Clause 15(b)</i>	3	3	3	<b>3</b>	D	Medium	Strong	4
<b>SEWERAGE</b>									
Overflows	<i>Clause 15(b), Sched 2</i>	3	3	3	<b>3</b>	C	Medium	Weak	3
Blockages	<i>Clause 15(e), Sched 2</i>	3	3	3	<b>3</b>	C	Medium	Weak	3
<b>IRRIGATION</b>									
Quality	<i>n.a.</i>								
Supplied when required	<i>n.a.</i>								
Monitoring of consumption is accurate	<i>n.a.</i>								

## 4 Methodology

### 4.1 Approach

The audit and review was undertaken in accordance with the *'Scope and Guidelines for Water Service Licence: Operational Audit, and Asset Management Reviews for the Shire of Gnowangerup'* issued by the Economic Regulation Authority.

The work involved was divided into four distinct phases each with specific tasks, these being;

- risk assessment;
- develop Audit and Review Plan;
- site visit;
- reporting and follow-up.

This audit and review focused on the development of the SOG's systems and procedures since receiving their initial licence.

### 4.2 Task 1 - Risk Assessment

Assess the risk posed by non-compliance with licence standards and the adequacy of internal controls by completing the Audit Risk Calculation Proforma. This completed proforma was forwarded and then discussed with the Authority and the Licensee before finalising the areas to focus in on during the audit.

### 4.3 Task 2 – Develop Audit and Review Plan

This task involved the development of an Audit and Review Plan.

### 4.4 Task 3 – Site Visit

Key documents reviewed during this Task included (a full list is included in Section 12 - References);

- SOG's Customer Service Charter;
- relevant Policies and Procedures established by SOG for the provision of water services, the management of customer services and management of its performance reporting requirements;
- relevant work instructions for the provision of water services;

- SOG's customer complaints handling processes, procedures and reporting mechanisms (including the receipt, handling, resolution and reporting of customer complaints);
- Business Performance Management reports;
- any relevant Service Agreements or Memorandum of Understanding with other agencies; and
- any relevant correspondence between SOG and the Authority relating to Operating Licence requirements.

This Task required discussions with key operational and administrative staff, and observation of processes, procedures and operations.

A short Closing Meeting was held at the end of the audit to provide an initial assessment of the audit and asset system review.

#### **4.5 Task 4 - Reporting and Follow Up**

##### **Operational Audit AND Asset Management Review**

This task involved the preparation of an audit/review report that will contain;

- the audit findings, including a discussion of compliance addressing each compliance issue identified by the Authority for the audit;
- a risk assessment
- an assessment of the degree of compliance with high risk licence requirements;
- a description of the audit scope, objectives, criteria, methodology and audit key;
- the period covered by the audit and the dates on which the audit was conducted;
- the list of audit team members and an account of time spent on the audit by each member of the team;
- a list of reference documents against which the audit was conducted;
- a description of the systems and procedures which have been established to comply with each obligation, including the identification of relevant documentation;
- a list of SOG representatives participating in the audit;



### **Operational Audit ONLY**

- Where significant non-compliance has been detected and SOG has a compliance plan, the report will contain a description and evaluation of the adequacy of the plan;
- a summary of findings.

### **Asset Management Review ONLY**

- An assessment of the effectiveness of the asset management system;
- Where the effectiveness of a key output/area is assessed as inadequate, the report is to contain a description of the inadequacy and make recommendations on how the shortcoming might be overcome;
- Comments on obstacles to performing the review and comment on where the scope definition could be improved.

## **4.6 Compliance Key**

For the Operational Audit, the Licensee was assessed for compliance with the Licence requirements against the following scale:

- a. Exceeds requirements
- b. Meets requirements
- c. Meets requirements – improvement suggested
- d. Does not meet the requirement

In cases of non-compliance or where the auditor suggests an improvement (or a rating of (c) to (d)), then a comment has been provided on actions required.

For the Asset Management Review, an asset management adequacy matrix was used to assess the effectiveness of the Licensee's asset management system.

## 5 Period Covered by the Audit/Review

The audit and review covered the period from 1<sup>st</sup> December 2002 to 30 November 2005.

## 6 Staff Resources

### 6.1 SOG Representatives

The following representatives of SOG participated in the audit and review:

Nadine Gray                      Environmental Health Officer (EHO)

Michelle Duits                      Customer Service Officer

### 6.2 Audit and Review Team

The Team comprised:

Mark Warner                      Lead Auditor

The following table provides a break up of hours spent on the review:

<b>Task no.</b>	<b>Audit and Review Task</b>	<b>Hours</b>
1	Risk Assessment	1
2	Development and approval of Audit and Review Plan	4
3	Site Visit	5
4	Reporting and Follow-up	5
	<b>Total Hours</b>	<b>15</b>

## 7 Review of Previous Audit Recommendations

### 7.1 Aquaterra Consulting Audit – March 2003

Item No.	Recommendation	Action Taken
1	Future Schedule 3 forms to be submitted to OWR within 30 days of the end of the financial year.	Not done for 2004/05 FY, but done up to then. New EHO unaware of requirements.  Assessment: <b>Inadequate.</b>
2	In Schedule 3, the volume of waste water receiving primary treatment should be entered as 24,000l (not zero), and volumes receiving secondary and tertiary treatment should be zero.	Done in previous Schedule 3's.  Assessment: <b>Good.</b> Closeout recommended.
3	Customer Service Charter should be reviewed in 2003 and updated if required.	Done  Assessment: <b>Good.</b> Closeout recommended.
4	Customer Service Charter revisions to be sent to OWR for approval.	Done.  Assessment: <b>Good.</b> Closeout recommended.
5	AMP to be reviewed annually at same time as Annual Budget.	Done, updated Sept 2003. Due for update.  Assessment: <b>Largely adequate.</b> Closeout recommended.
6	A Maintenance Register should be established and kept up to date by appropriate staff.	EHO unaware of any maintenance records.  Assessment: <b>Inadequate.</b> Closeout not recommended.
7	Asset Register in AMP to be improved.	Done, as part of AMP update.  Assessment: <b>Good.</b> Closeout recommended.
8	Asset register should be updated to include land purchase for new oxidation pond.	Done, as part of AMP update.  Assessment: <b>Good.</b> Closeout recommended.
9	Capital Expenditure Plan in AMP should be updated to reflect Annual Budget.	Done, as part of AMP update.  Assessment: <b>Good.</b> Closeout recommended.

## 8 Operational Audit – Specific Compliance Issues Examined

### 8.1 Compliance Key

For the Operational Audit, the Licensee was assessed for compliance with the Licence requirements against the following scale:

Excellent:	Exceeds requirements
Good:	Meets requirements
Largely Adequate:	Meets requirements – improvement suggested
Inadequate:	Does not meet the requirement
N/A:	Not applicable

### 8.2 Shire of Gnowangerup Operational Audit Checklist

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
Clause 2(b)  Operating Area Schedule 1	Does the operating area identified in Schedule 1 correspond to the area in which Shire of Gnowangerup provides its water services?	Nadine Gray	Good		None

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
<b>Clause 6 Asset Management System</b>	Is there an Asset Management System in place for the water service assets of the Shire of Gnowangerup?	Nadine Gray	Largely Adequate	Reviewed 2003, but could do with an update.	<b>Update and submit to Authority</b>
	Have the details of the system, and any changes, been forwarded to the Authority?		Largely Adequate	2003 report submitted.	<b>None</b>
	Does the system set out the measures to be taken by the Shire of Gnowangerup for the proper maintenance of its assets and the undertaking, maintenance and operation of water service works?		Good	Maintenance Schedule set out in AMP. Minimum detail, but is appropriate as the system is small and simple.	<b>None</b>
	Has the information on maintenance activities been collected and recorded in accordance with documented procedures?		<b>Inadequate</b>	EHO not aware of any maintenance recording.	<b>Prepare a maintenance recording system and implement usage.</b>
	Are the procedures understood by staff?		Largely adequate	EHO responsible for maintenance.	<b>None</b>

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
<b>Clause 8</b> <b>Technical Standards</b>	Does the Shire of Gnowangerup comply with the technical standards for the provision of and the undertaking, maintenance and operation of Water Services works as published in the Government Gazette?	Nadine Gray	Good	EHO receives Government Gazette and adheres to any updates.	<b>None</b>
	Is the Government Gazette readily available and reviewed?		Good	Gazette distributed around office.	<b>None</b>
<b>Clause 9</b> <b>Industry Standards</b>	Does the Shire of Gnowangerup observe the <i>Sewerage Code of Australia WSA 02 1999</i> when designing/constructing works?	Nadine Gray	Good	Assume so, but no sewerage construction done recently.	<b>None</b>
<b>Clause 10</b> <b>Accounts</b>	Are the Shire of Gnowangerup's accounts consistent with the requirements of the <i>Local Government Act 1995</i> ?	Nadine Gray	Good	Signed off by independent auditors.	<b>None</b>

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
	Does the Shire of Gnowangerup prepare its accounts in a way which enables it to issue an operating statement which accurately describes its income and expenditure in relation to the Water Services provided under the Licence on an accruals basis?		Good	Accounts signed off by auditors.	None
<b>Clause 11</b> <b>Prices or charges</b>	Do the prices and charges set by the Shire of Gnowangerup comply with the <i>Health Act 1911</i> and the <i>Local Government Act 1995</i> ?	Nadine Gray	Good	A \$35 Specified Area Rate is charged on all GRV properties in Ongerup as determined in the budget.	None
<b>Clause 12</b> <b>Methods or principles to be applied in the provision of Water Services</b>	How does the Shire of Gnowangerup ensure that water services provided on its behalf comply with the terms and conditions of the Licence and relevant legislation?	Nadine Gray	Good	Regular maintenance, as per schedule; customer charter.	None
	How does the Shire of Gnowangerup ensure that its water services are available for connection on request to any land within the Operating Area?		Good	Request is analysed during submission of a Building Licence. The system has spare capacity. Customer Service Charter outlines connection procedure.	None



Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
	How does the Shire of Gnowangerup ensure that the services it supplies are safe, reliable and financially viable?		Good	<p>Safe: Ponds are fenced off and not in a residential area. Regular maintenance is carried out.</p> <p>Reliable: Regular maintenance carried out. Gravity system, low operator input.</p> <p>Financially viable: Allocation of funding made in budget for operations and for Reserve.</p>	<b>None</b>
<b>Clause 14</b>  <b>Specific information to be provided</b>	Has the Shire of Gnowangerup informed the Authority within five days of any overflows from wastewater/sewerage infrastructure?		Largely adequate	1 overflow since 2003 recorded – no evidence to suggest ERA notified.	<b>Inform ERA of any future overflows.</b>
	If the Authority requested any detailed reports on overflow events, have they been provided within 14 days of the request?		Largely adequate	No requests received.	<b>None</b>

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
	Has the Shire of Gnowangerup provided the information in Schedule 3 to the Authority within 30 days of the end of each financial year?		<b>Inadequate</b>	New EHO unaware. Previously forwarded on time.	<b>New EHO to forward Schedule 3 by appropriate time</b>
<b>Clause 15/Schedule 2</b>  <b>Performance Standards</b>	Are customers provided with non-potable water annually notified that the water supplied is not potable?	Nadine Gray	Good	No non-potable water supplied.	<b>None</b>
<b>Overflows</b>	Have 90% or more of customers had no sewerage overflows onto their properties?		Good	1 overflow, but appears to be limited to the street.	<b>None</b>
<b>Blockages</b>	Were there less than 40 blockages per 100 km length of sewer?		Good	1 blockage in last 12 months. 2350 metres of pipe.	<b>None</b>
<b>Emergency response</b>	Has Shire of Gnowangerup implemented an emergency telephone number? Do 90% of customers receive advice within one hour of reporting an emergency?		Largely adequate	Needs updating with new staff. Numbers still current Response to last blockage within 1 hour.	<b>Update emergency number register</b>

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
<b>Responsiveness to Customer Complaints</b>	Are 90% of written customer complaints resolved within 21 days?		Good	Customer Charter outlines response protocol. The recent blockage was resolved within 48 hours.	<b>None</b>
<b>Clause 16 Terms and conditions of customer contracts</b>	Have the Shire of Gnowangerup entered into agreements with customers to provide water services?	Nadine Gray	N/A		
	If so, have any of the terms and conditions been modified without written approval from the Authority?		N/A		
<b>Clause 17 Obligations to public authorities and other Licensees</b>	Do the wastewater treatment plants operated by the Shire of Gnowangerup have the relevant licences from the Department of Environment and are they operated in accordance with these licences?	Nadine Gray	Good	One off registration received.	<b>None</b>
<b>Clause 18 Consumer Consultation</b>	Have the Shire of Gnowangerup held a public meeting or advertised for written submissions prior to making major changes to the operation of the water service?	Nadine Gray	Good	If the situation arose, a public meeting would be held.	<b>None</b>

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
	Does the Shire of Gnowangerup allow customers to raise matters of concern regarding the sewerage system at public question time in accordance with the <i>Local Government Act 1995</i> ?		Good	Questions are allowed at public question time at Council meetings	None
<b>Clause 19 Customer Service Charter</b>	Does the Shire of Gnowangerup have a “plain English” Customer Service Charter?	Nadine Gray	Good		None
	Does the Charter address all of the service issues reasonably likely to be of concern to its Customers?		Good	Yes	None
	Has the Charter been reviewed within the last three years?		Good	July 2004	None
	Have any changes to the Charter been approved by the Authority?		Good	Yes	None
	How does the Shire of Gnowangerup make the Charter available to its Customers?		Largely adequate	Available from Council, but not on display at Counter. Once yearly notification in local paper.	<b>Place copy of Charter on display at Council Counter and at Ongerup Library.</b>

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
	Does the Shire of Gnowangerup provide services that are consistent with the Charter?		Good	High level of service indicates no complaints	<b>None</b>
<b>Clause 20 Dispute Resolution</b>	Is there a system in place for recording, managing and resolving customer complaints?	Nadine Gray	Good	As per Customer Charter	<b>None</b>
	Are there officers designated to deal with complaints, and are they authorised to settle disputes, including monetary compensation where necessary?		Good.	EHO, CEO.	<b>None</b>
	Are Customers made aware that they can refer any dispute between themselves and the Shire of Gnowangerup to the Water Services Planning Branch of the Department of Water?		Good	Outlined in Customer Charter	<b>None</b>
	Where complaints are not resolved within 21 days, is the Customer advised of alternative forms of redress?		Good	In Customer Charter, but has not occurred.	<b>None</b>

## 9 Summary of Operational Audit Findings

Overall, the SOG's compliance with licence conditions was good. Only two issues were found to be non-compliant. The following section details these issues as well as providing some recommendations in regard to corrective action.

The auditor does not believe that compliance plans are required.

### 9.1 Asset Management System (Clause 6)

The EHO was unaware of a Maintenance Register to record maintenance undertaken on the wastewater treatment system.

#### **Recommendation**

The EHO, in conjunction with the Works Manager, prepare a maintenance recording system and implement its usage.

### 9.2 Specific Information to be provided (Clause 14)

The information required in Schedule 3 has not been filled in and submitted to the Authority for the 2004/05 financial year.

#### **Recommendations**

The SOG immediately completes Schedule 3 and forwards it to the Authority. SOG to ensure that the form is filled in and submitted to the Authority within 30 days of the end of each financial year.

The following issues were regarded as 'Largely adequate'.

### 9.3 Asset Management System (Clause 6)

The Asset Management Plan sighted was the September 2003 edition.

#### **Recommendation**

The AMP is due to be updated in 2006. This document, once approved by the Authority, should be bound and placed in an easily accessible location for all those who require access to it.

#### **9.4 Specific Information to be provided (Clause 14)**

There was one overflow recorded since 2003. A search through the files revealed no evidence that this incident was reported to the Authority. This was before the existing EHO commenced employment with the SOG.

##### **Recommendation**

The SOG to inform the Authority of any spills within five days of the occurrence.

#### **9.5 Performance Standards (Clause 15) – Emergency response**

The emergency response staff details are out of date, although the numbers are still current.

##### **Recommendation**

Staff details need updating.

#### **9.6 Customer Service Charter (Clause 19)**

The Customer Service Charter was not available in the Council foyer.

##### **Recommendation**

SOG to place a copy of the Charter in the foyer of the Shire Office, as well as in the Ongerup public library.

## 10 Asset Management System Review – Key Outputs and Performance

### 10.1 Effectiveness Rating Scale

For the Asset Management Review, an asset management adequacy matrix was used to assess the effectiveness of the Licensee's asset management system. The rating scale uses the following levels:

- Excellent
- Good
- Largely adequate
- Inadequate



## 10.2 Asset Planning/Creation/Acquisition

Asset creation/acquisition means the provision or improvement of an asset where the outlay can be expected to provide benefits beyond the year of outlay. In the case of major capital expenditure, full project evaluation should be undertaken and life cycle costs assessed.

Item No.	Test	Comments	Effectiveness
a.	Have the strategic objectives for assets been identified?	Strategic objectives are documented in the AMP	Good
b.	Have the life cycle costs been considered?	Reported in AMP as well as Annual Budget	Good
c.	Has the need for new assets been determined and full project evaluation processes been followed, including comparative assessment of non-asset solutions?	Reticulation pipe has been assessed as requiring replacement in 2028.	Largely adequate
d.	Have documents recording relevant details on the asset been collected?	The AMP records relevant details of the asset components.	Good
e.	Do assets reflect the objectives identified in the asset creation/acquisition phase?	Small system adequately designed and run.	Good
f.	Are actual costs as predicted?	Actual running costs less than predicted in budget.	Good

### Overall Comment

Well designed and run small system. No complaints evidence of this.

### 10.3 Environmental Analysis

Environmental analysis examines the asset system environment and assesses all external factors affecting the asset system.

Item No.	Test	Comments	Rating
a.	Have the performance requirements (availability of service, capacity, continuity, emergency response) been documented?	Performance requirements are adequately documented in AMP, although Schedule 3 has not been forwarded to Authority.	<b>Largely adequate</b>
b.	Are the asset system objectives documented?	In AMP.	<b>Largely adequate</b>
c.	Have the opportunities and threats in the system environment been assessed?	Yes, in the AMP. Threats are mainly environmental impacts.	<b>Good</b>
d.	Are regulatory obligations and statutory/regulatory requirements documented?	Yes, in the AMP.	<b>Good</b>
e.	Is the asset meeting the level of service required by users of the service?	Yes, as there have been a lack of complaints. 1 blockage since last audit.	<b>Largely adequate</b>
f.	Do the assets meet regulatory requirements?	Yes, compliance with DoE one off registration.	<b>Good</b>

#### Overall Comment

Threats have been adequately researched. Main threats are odours and blockages. As the system is small, the consequences are mostly environmental impacts.

## 10.4 Asset Management System Analysis

An asset system analysis examines and documents the system and processes for its effective operations. Operations plans document the knowledge of staff in the operation of the asset. Maintenance plans cover the scheduling and matching of resources to the maintenance task so that work can be done on time and on cost. The maintenance plans should cover preventative and corrective maintenance. Assessment of the asset system analysis components would include examination of the asset register.

Item No.	Test	Comments	Effectiveness
a.	Are the asset system components documented?	Yes, in the AMP.	Good
b.	Has the asset performance and condition been assessed?	Asset performance has been assessed, but only wastewater treatment ponds have had their condition assessed. Pipe assessment to be added to AMP.	Largely adequate
c.	Does the asset management plan include an asset register and plans of asset system components?	Yes.	Good
d.	Does the register record asset type, location, material and an assessment of assets' physical/structural condition?	Yes, although refer Item b above. Asset register to refer to Council's sewer plans for asset location.	Largely adequate
e.	Are systems in place to assess asset and practice efficiency?	There is a complaints register which contains all complaints made to the Shire. If counter staff unable to handle query, forwarded either to EHO or CEO.	Good

Item No.	Test	Comments	Effectiveness
f.	Assets assessed for capability and deficiencies of current assets to meet performance requirements?	There have been no complaints and only one blockage since the last audit. The system is performing well.	Good
g.	Are practices covering operating rules and maintenance documented?	Yes, in Section 6 of the AMP.	Good
h.	Do maintenance plans cover preventative and corrective maintenance?	Yes, Sections 6, 7 and Appendix 1 of the AMP.	Good
i.	Are actual assets and human resources appropriate for performance requirements?	Yes	Good
j.	Do operation and maintenance practices reflect performance targets?	Yes	Good
k.	Are costs measured and recorded?	Yes, in annual budget.	Good
l.	Is the asset under-utilised?	There is excess capacity in the system which will allow for any expansion. As the system is gravity fed and the pond process is natural, this is not considered a problem.	Good
m.	Is the level of maintenance justified against replacement cost?	Yes. Annual maintenance costs were significantly less than replacement costs.	Good

<b>Item No.</b>	<b>Test</b>	<b>Comments</b>	<b>Effectiveness</b>
<b>n.</b>	Has the asset been inspected?	Regular maintenance schedule outlined in AMP.	<b>Good</b>
<b>o.</b>	Is the assets' theoretical life known?	Outlined in AMP.	<b>Good</b>
<b>p.</b>	Does the assess management plan enable the prediction of asset deterioration and failure.	Outlined in Asset Register in AMP.	<b>Largely adequate</b>
<b>q.</b>	Do the maintenance plans and operational plans relate to what is required to achieve the levels of service required of the system?	Lack of complaints and problems indicate adequate maintenance and operational plans.	<b>Good</b>

#### **Overall Comment**

A small, low maintenance system that requires minimal human and energy inputs. Works well, as evidenced by lack of complaints and failures.

Pipe condition assessment to be added to Asset Register and Asset Register to refer to Council's sewer plans for asset locations.

## 10.5 Risk Analysis and Contingency Planning

Risk analysis involves the identification of risk and management within an acceptable level of risk. Contingency plans document the steps to deal with the unexpected failure of an asset.

Item No.	Test	Comments	Effectiveness
a.	Has a risk assessment of assets been conducted?	A risk assessment was undertaken as part of the AMP. The risks are minor as the system is small and simple and failure is more likely to result in minor environmental damage rather than risks to human life.	Good
b.	Has the probability and consequences of asset failure have been identified?	The probability of asset failure has not been determined. Failure would result in a minor loss of service that would not be life threatening.	Good
c.	Are appropriate contingency plans in place?	Customer Service Charter outlines Council responses to emergencies. Funds in the Ongerup Effluent Reserve would be used to deal with major repairs or replacements.	Good
d.	Is risk management practiced?	Risk management and minimisation is dealt with in the AMP.	Good
e.	Where unacceptable risks have been identified have risk control measure been implemented?	No unacceptable risks have been identified.	Good

Item No.	Test	Comments	Effectiveness
f.	Where events that may result in severe consequences have been identified have contingency plans been developed?	An emergency response plan is outlined in the AMP.	Good

**Overall Comment**

A small and simple system. Failure would have local environmental impacts rather than life threatening ones. In the event of incidences occurring, eg blockages, etc, systems are in place to quickly deal with them.

## 10.6 Financial Planning

The financial planning component of the asset management plan brings together the financial elements of the scheme to ensure its financial viability over the long term. Since capital investments tend to be large and lumpy, projections would normally be expected to cover at least 10 years, preferably longer. Projections over the next five years would be based on firm estimates.

Item No.	Test	Comments	Effectiveness
a.	Does the Financial Plan provide projections of operating statements (profit and loss) and statement of financial position (balance sheets)?	Refer to Annual Budget	Good
b.	Does the financial plan cover the financial objectives and strategies and actions to achieve the objectives?	Refer to AMP, section 10.1	Good
c.	Does the financial plan identify the source of funds for the capital expenditure plan?	The AMP identifies sewerage rates and Shire's Ongerup Effluent Reserve as the source of CAPEX funding.	Good
d.	Are the sources of funds for operation, maintenance and administration identified in the financial plan?	Source of funds for operations, maintenance and administration are funded by sewerage rates.	Good
e.	Does the financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period?	Yes, AMP predicts that future income is likely to remain stable as rates and number of rate payers does not vary much from year to year.	Largely adequate
f.	Does the financial plan provide for the operation and maintenance, administration and capital expenditure requirements of the scheme?	Yes, rates and Ongerup Effluent Reserve.	Good

### Overall Comment

System is appropriately funded for the level of operation, maintenance and administration identified as being required.



## 10.7 Capital Expenditure Planning

The capital expenditure plan provides a schedule of new works, rehabilitation and replacement works, together with estimated annual expenditure on each over the next five or more years. This can be expressed as a schedule of projected annual expenditures offset by possible income from asset disposal, supported by documentation of the reasons for the decisions and evaluation of alternatives and options.

Item No.	Test	Comments	Effectiveness
a.	Has a capital expenditure plan been prepared?	Yes. Based on performance of Sewerage Scheme and feedback from Ongerup community. First asset identified in Asset register as needing replacement in 2028, so CAPEX plan is adequate.	Good
b.	Does the plan cover the issues to be addressed, the actions proposed, the centre of responsibilities, and deadline dates?	No, as not required until 2028.	Good
c.	Does the plan provide reasons for capital expenditure and timing of expenditure?	Assumed it would as scheduled CAPEX approaches.	Good
d.	Is the capital expenditure plan consistent with the asset life and condition identified in the asset management plan?	Yes. No CAPEX planned until 2028.	Good

### Overall Comment

CAPEX has been identified as being required in 2028. Ongerup Effluent Fund should suffice to be used should any CAPEX be identified before then.

## 10.8 Review of Asset Management Plan

Review of the asset management plan assists to ensure the effective development and operation of asset management plans.

Item No.	Test	Comments	Effectiveness
a.	Is a review process in place to ensure that asset management plans are kept current?	AMP reviewed 2003, Customer Charter 2004. AMP and Charter should be reviewed annually and updated as necessary.	<b>Largely adequate</b>
b.	Are asset management plans being reviewed at appropriate intervals?	Yes, but AMP available at time of audit was dated 2003.	<b>Largely adequate</b>
c.	Are the asset management plans current?	Yes, but due for an update next year.	<b>Largely adequate</b>

### Overall Comment

The Asset Management Plan is due to be reviewed next year. It should be done at the same time as the Principal Activities Plan.

# 11 Summary of Asset Management Review Findings

## 11.1 Introduction

The 2005 Asset Management System audit is the third external assessment undertaken on SOG's asset management system. The purpose of this review was to examine the Asset Management System in light of the recommendations made in the audit of 2003.

The Asset Management System is adequate for the size of the SOG's wastewater treatment system because the system is small and simple. The lack of complaints and breakdowns is an indication of the adequacy of the system in place. The financial planning and capital expenditure planning are also adequate, with the capital expenditure planning underpinned by a sewerage reserve fund.

The AMP, along with the Customer Charter, detail the level of service the customer can stand to expect from the SOG as well as the emergency numbers.

## 11.2 Specific Findings and Recommendations from Current Review

### 11.2.1 Asset Planning/Creation/Acquisition

This is a well designed and run small system. The lack of complaints is evidence of this. The asset requiring the earliest replacement has been identified as reticulation piping due in 2028. As the due date draws closer, it is expected that this information will be reflected in forward planning systems.

Assessment: Good.

### 11.2.2 Environmental Analysis

The threats to the system have been adequately researched and have been found to be mainly odours and blockages. As the system is small and simple, the biggest consequence of failure is environmental rather than to humans.

The asset system objectives and performance requirements are all adequately outlined in the AMP. The DoE's requirement of one off registration was undertaken. The only non-compliance was the failure to complete and submit the Schedule 3 to the Authority for the 2004/05 financial year.

## **Recommendation**

All Schedule 3 forms to be completed and submitted to the Authority within 30 days of the end of the financial year.

Assessment: Largely adequate to Good.

### **11.2.3 Asset Management System Analysis**

This is a small, low maintenance system that requires minimal human and energy inputs. It works well and is maintained appropriately as indicated by lack of complaints and failures.

## **Recommendations**

Pipe condition assessment to be added to the Asset Register. The Asset Register should also refer to Council's sewer plans for asset locations.

Assessment: Good.

### **11.2.4 Risk Analysis and Contingency Planning**

Risk is well managed. The system is minor and the ponds are located such that any catastrophic failure will result in local environmental damage rather than human harm. Appropriate contingency measures, including financial, are in place to deal with any contingencies.

Assessment: Good.

### **11.2.5 Financial Planning**

The system is appropriately funded for the level of operation, maintenance and administration that has been identified as being required. The financial plan fully supports the identified needs of SOG's asset base for a four-year time horizon with a population that is expected to remain constant over that period. The annual budget outlines the income and expenditure for the wastewater treatment system.

Assessment: Good.

### **11.2.6 Capital Expenditure Plan**

The Capital Expenditure Plan now identifies asset expenditures out to a four-year plus time horizon. Capital expenditure has been identified as being required in 2028 when reticulation pipes will be due for replacement. The Ongerup Effluent Fund should suffice should any

CAPEX be identified before then. This fund gets added to as part of the annual budget process.

Assessment: Good.

### **11.2.7 Review**

The results from the previous audit have mostly been taken on board and the AMP was updated in 2003. The Shire of Gnowangerup has a well maintained and adequately funded asset management system.

#### Recommendation

The AMP and Charter should be reviewed every 12 months at the same time as the annual budget, and updated as necessary. They should be updated within every 36 months, thus the Charter is due to be updated next year.

Assessment: Largely adequate.

## 12 References

- Operational Audit and Asset Management Review 2003– Aquaterra Consulting
- Shire of Gnowangerup Annual Report 2003/2004
- Independent Auditor’s Report – extract from above
- Shire of Gnowangerup Plan of Principal Activities 2003/04 – 2006/07
- Shire of Gnowangerup Adopted Budget 15/8/05
- Asset Management Plan 2003
- Complaints form
- Complaints Register