
Shire of Goomalling
2005 Operational Audit and
Asset Management System Review

Final Report

Document / Report Control Form

Project Name: **Northern Wheatbelt Shires Water Service Audit\36004.008 Shire Operational Audits**

Project number: **3006038**

Report for: **Shire of Goomalling**

PREPARATION, REVIEW AND AUTHORISATION

Revision #	Date	Prepared by	Reviewed by	Approved for Issue by
1	7/12/05	Naomi Hill	Mark Warner	Mark Warner
2	16/2/06	Naomi Hill	Peter Hanlon	Mark Warner

ISSUE REGISTER

Distribution List	Date Issued	Number of Copies
Linton Thomas	12/01/05	1
Peter Hanlon	12/01/05	1
Associates:		
Office Library:		
Report Project File:		

SMEC Holdings Limited

Level 6, 12 St Georges Terrace

Perth WA 6000

Tel: 08 9323 5935

Fax: 08 9323 5901

Email: naomi.hill@smec.com.au

www.smec.com.au

The information within this document is and shall remain the property of SMEC.

Table of Contents

Executive Summary	i
Background.....	i
Objectives and Scope of Audit and Review	i
Time Frame of the Audit and Review	ii
Overview of Compliance Performance	ii
Operational Audit Conclusion	iii
Overview of Asset Management System Review	iv
Asset Management System Review Conclusion	iv
Statement of Declaration	vi
1 Introduction.....	1
2 Objectives and Scope	1
2.1 Operational Audit	1
2.2 Asset Management System Review	1
3 Risk Assessment	3
Operating Audit Risk Calculation – Non–Potable Water Supply & Sewerage Services Licence.....	3
4 Methodology	4
4.1 Task 1 - Risk Assessment	4
4.2 Operational Audit	4
4.3 Asset Management System Review	5
4.4 Compliance Key.....	5
5 Period Covered by the Audit/Review	6
6 Staff Resources	6
6.1 Shire of Goomalling Representatives	6
6.2 Audit and Review Team.....	6
7 Review of Previous Audit Recommendations.....	7
8 Operational Audit – Specific Compliance Issues Examined.....	7
8.1 Compliance Key.....	7
8.2 Shire of Goomalling Operational Audit Checklist	8
9 Summary of Operational Audit Findings	14
9.1 Specific Information to be Provided (Clause 14)	14
9.2 Performance Standards (Clause 15/Schedule 2).....	14
9.3 Customer Service Charter (Clause 19)	14

10	Asset Management System Review – Key Outputs and Performance	15
10.1	Effectiveness Rating Scale	15
10.2	Asset Planning/Creation/Acquisition	15
10.3	Environmental Analysis	17
10.4	Asset Management System Analysis	18
10.5	Risk Analysis and Contingency Planning	20
10.6	Financial Planning	21
10.7	Capital Expenditure Planning.....	22
10.8	Review of Asset Management Plan	23
11	Summary of Asset Management Review Findings	24
11.1	Introduction	24
11.2	Specific Findings and Recommendations from Current Review	24
12	References	26

Background

The Shire of Goomalling was formally granted an Operating Licence for a term of five years on 29th April 1996. Amended Operating Licences were subsequently issued, by means of substitution on 21st May 1997 and 14th June 2002, and is valid up to and including the 29th April 2021. The Licence permits the Shire of Goomalling to provide non-potable water supply services in the operating areas that are centred on the township of Goomalling, in the Northern Wheatbelt Region of the State of Western Australia. The Economic Regulation Authority (the Authority) monitors the operational performance of the Shire of Goomalling against its Operating Licence.

The Goomalling sewerage system consists of 10.7 kilometres of sewerage reticulation, two pumping stations and oxidation pond serving residential 203 properties. The volume of wastewater treated is approximately 32,00kL/annum. The system consists of a limited effluent disposal system which utilises gravity to direct effluent from connections to the pump station which drives the effluent into the Imhoff tank which flows into the oxidation pond. Treated effluent is discharged from the oxidation pond into the irrigation dam where it is mixed with storm-water runoff and utilised for the irrigation of sports ovals.

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 24 month period, or such longer periods allowed for by the Authority. The primary objective of this audit is to determine the effectiveness of measures taken by the Shire of Goomalling to maintain those quality and performance standards that are referred to in the Shire of Goomalling's Operating Licence.

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

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

The Shire of Goomalling, with the approval of the Authority, commissioned SMEC Australia to conduct the second 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 scope of the operational audit was to assess the Shire of Goomalling's systems and effectiveness of processes used to ensure compliance with the standards, outputs and outcomes which are:

- referred to in the Shire of Goomalling's Operating Licence, and
- applied to the Shire of Goomalling's Operating Licence, including those standards prescribed under Section 33 of the *Water Services Licensing Act 1995*.

The scope of the asset management review was to provide an opinion to the Authority on whether the Shire of Goomalling has in place the appropriate systems for the planning, construction, operation and maintenance of its assets. 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,
- the identification, development and implementation of strategic initiatives to improve the effectiveness of asset management, and

- the Shire of Goomalling’s response to the recommendations made in the previous reviews.

The review focused on identifying those aspects of the asset management system that could be further strengthened, with the view to providing feedback to the Shire of Goomalling on the adequacy and effectiveness of the system.

Time Frame of the Audit and Review

The audit and review covered the period of 1st December 2002 to 30th November 2005.

Overview of Compliance Performance

It is the auditors’ professional view that the Shire of Goomalling is achieving a good level of compliance with the requirements of the Operating Licence.

Overall, the Shire of Goomalling’s compliance with licence conditions was mainly good, with Clause 8 (Technical Standards) accounting for the two non-compliances. This was due to the Shire of Goomalling not referring to the Government Gazette before installing a new pump and switch board.

The results of the assessment of the relevant standards, outputs and outcomes are summarised in the following table:

TABLE 1. SHIRE OF GOOMALLING– 2005 OPERATIONAL AUDIT SUMMARY LEVEL OF COMPLIANCE

Clause	Standard	Compliance
Clause 2(b)	Operating Area Schedule	Good
Clause 6	Asset Management	Good to excellent
Clause 8	Technical Standards	Inadequate
Clause 9	Industry Standards	Excellent
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	Inadequate

Clause 15/Sched 2	Performance Standards	Largely adequate
Charter	Overflows	Largely adequate
Charter	Blockages	Largely adequate
Charter	Emergency response	Excellent
Charter	Responsiveness to Customer Complaints	N/A
Clause 16	Terms and conditions of customer contracts	Good
Clause 17	Obligations to public authorities and other Licensees	Good
Clause 18	Consumer Consultation	Good
Clause 19	Customer Service Charter	Largely adequate to excellent
Clause 20	Dispute Resolution	Good to excellent

Excellent:

Exceeds requirements

Good:

Meets requirements

Largely Adequate:

Meets requirements – improvement suggested

Inadequate:

Does not meet the requirement

N/A:

Not applicable

Operational Audit Conclusion

The level of compliance found in Operational Audit during the audit period indicates that the Shire of Goomalling is undertaking the necessary measures to maintain those quality and performance standards referred to in the Shire of Goomalling's Operating Licence.

The review revealed that Shire of Goomalling'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 Shire of Goomalling.

Overview of Asset Management System Review

The results of the assessment of the relevant standards outputs and outcomes are summarised in the table on Page v.

Asset Management System Review Conclusion

There is an Asset Management Plan for the Goomalling Sewerage Scheme which is deemed to be adequate of the extent and complexity of the scheme. A number of enhancements to the Asset Management Plan are necessary to ensure that the Plan provides for all aspects of asset predominantly risk management and a contingency plan. The review revealed that the Shire of Goomalling's assets present to a good standard 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 Shire of Goomalling.

The results of the assessment of the relevant standards outputs and outcomes is summarised in the table that follows overleaf.

TABLE 2. SHIRE OF GOOMALLING– 2005 ASSET MANAGEMENT SYSTEM REVIEW
SUMMARY OF SYSTEM EFFECTIVENESS

Activity	Description	Effectiveness Scale
Asset Planning/Creation /Acquisition	Asset creation 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.	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>	Largely adequate to 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>	Inadequate
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.	Largely Adequate to good
Review	Review of the asset management plan assists to ensure the effective development and operation of asset management plans.	Excellent

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.

The Shire of Goomalling is achieving adequate standards and quality in the operational aspects of its Operating Licence. This report has identified three instances (mainly with regard to risk assessment) in which Shire of Goomalling's compliance with licence requirements needs to be improved.

The review revealed that no risk assessments have been conducted or a contingency plan developed. Capital expenditure planning has not been done since 1999 although there is a sewerage reserve fund which gets added to annually. Performance of the wastewater treatment system has been good, which indicates an appropriate level of assets for the customers.

A risk assessment needs immediate attention, with particular reference given to environment, occupational health and safety, finances and possible failure of asset. This is the main area of non-compliance and once the risk assessment has been conducted, the licence compliance will be significantly improved.

A handwritten signature in black ink that reads "Naomi Hill". The signature is written in a cursive style. To the right of the signature is a vertical red line.

Naomi Hill
Auditor

1 Introduction

The Goomalling sewerage system consists of 10.7 kilometres of sewerage reticulation, two pumping stations and oxidation pond serving 203 properties. The volume of wastewater treated is approximately 32,00kL/annum. The system consists of a limited effluent disposal system which utilises gravity to direct effluent from connections to the pump station which drives the effluent into the Imhoff tank which flows into the secondary treatment oxidation pond. Treated effluent is discharged from the oxidation pond into a dam where it is mixed with storm-water runoff and utilised for the irrigation of sports ovals.

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

- the adequacy and effectiveness of measures taken by the Shire of Goomalling to maintain those quality and performance standards referred to in the licence, and
- the effectiveness of processes implemented by the Shire of Goomalling 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 the Shire of Goomalling and the Authority, Naomi Hill undertook the on-site component of the audit and review on the 12th December 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 24 month period, or such longer periods allowed for by the Authority.

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

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

2.2 Asset Management System Review

The *Water Services Licensing Act 1995* also requires that the Shire of Goomalling provide for and maintain an asset management system. The system must set out the measures to be taken by the Shire of Goomalling 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 the Shire of Goomalling 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;

Shire of Goomalling 2005 Operational Audit & Asset System Review

- 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; and
- the Shire of Goomalling's response to the recommendations made in previous reviews.

3 Risk Assessment

Operating Audit Risk Calculation – Non-Potable Water Supply & Sewerage Services Licence

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

4 Methodology

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

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

- risk assessment;
- development of the Audit and Review Plan
- site visit
- reporting and follow-up

This audit and review focused on the development of the Shire of Goomalling's systems and procedures since receiving their initial licence, and their response and actions to recommendations from previous audits and reviews.

4.1 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.

4.2 Operational Audit

Specific tasks undertaken included:

- A review of key documents including;
 - the Shire of Goomalling's Customer Charter for Wastewater Services;
 - relevant Policies and Procedures established by the Shire of Goomalling for the provision of water services, management of customer services (including the receipt, handling, resolution and reporting of customer complaints), and performance reporting requirements;
 - relevant Performance Indicator data and reports;
 - the Shire of Goomalling's customer complaints handling processes, procedures and reporting mechanisms;
 - Financial reports;
 - any relevant Service Agreements or Memorandum of Understanding with other agencies, and
 - any relevant correspondence between the Shire of Goomalling and the Authority relating to Operating Licence requirements.
- review and analysis of all technical/operational and administrative aspects of those quality and performance standards maintained by the Shire of Goomalling, enabling comparison with requirements of the Operating Licence;
- consultation and discussions with the Authority representatives (where necessary, within each of the four audit phases);
- discussions and interviews with key staff of the Shire of Goomalling (within each of the four audit phases);
- observation of processes / procedures and operations;
- analysis of the extent to which the Shire of Goomalling's information systems produce accurate and reliable information which complies with the requirements of its Operating Licence;
- technical assessment of the adequacy of measures taken by the Shire of Goomalling in meeting the requirements relating to the provision of services;
- technical review of a sample of works requests relating to the provision of services;

Shire of Goomalling 2005 Operational Audit & Asset System Review

- sampling source documents to determine whether established procedures relating to the provision of services and management of customer services were complied with;
- field inspections and observation of work sites relating to the provision of required services, and
- an assessment of the level of compliance with the operating licence requirements using the Compliance Key detailed in Section 3.4 of the 'Scope and Guidelines for the 2002 Audit of the Local Government Operating Licence holders and Asset Management Review' document, and repeated in Section 4.3 below.

Note: Where non-compliances with Operating Licence requirements were noted during the audit, an assessment was made on the adequacy and effectiveness of the Shire of Goomalling's plans to resolve the matter of non-compliance.

4.3 Asset Management System Review

Specific tasks undertaken included:

- consultation and discussions with the Authority representatives;
- analysis of the Shire of Goomalling's documented procedures related to its asset management system to determine whether they are consistent with the relevant requirements of its Operating Licence;
- discussions and interviews with key staff of the Shire of Goomalling;
- observation of processes / procedures and operations;
- analysis of the Shire of Goomalling's information systems supporting its asset management system;
- technical analysis of a sample of transactions or data relating to the Shire of Goomalling's asset management system;
- field inspections and observation of work sites relating to the provision of the Shire of Goomalling's asset management system, and
- where instances of non-compliance with Operating Licence requirements were noted during the review, an assessment was made on the adequacy and effectiveness of the Shire of Goomalling's plans to resolve the matter of non-compliance.

Note: The review utilised the Asset management Review effectiveness rating scale detailed in the 'Scope and Guidelines for the 2002 Audit of the Local Government Operating Licence holders and Asset Management Review' document.

4.4 Compliance Key

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

- a. Exceeds minimum requirement
- b. Meets minimum requirement – no improvement needed
- c. Meets minimum requirement – improvement needed
- d. Does not meet the minimum requirement

In cases of non-compliance or where the auditor considers there to be action required (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 brief required the audit/review to cover the period from 1st December 2002 to 30 November 2005, as required by the Scope of Works. On site activities were conducted over the period 12th December 2005.

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 the Shire of Goomalling on the adequacy and effectiveness of the system.

6 Staff Resources

6.1 Shire of Goomalling Representatives

The following representatives of Shire of Goomalling participated in the audit and review:

Linton Thomas	Environment Health Officer (EHO)
Clem Kerp	Chief Executive Officer (CEO)
Mr Mark Johnston	Plumber
Natalie Bird	Senior Finance Officer

6.2 Audit and Review Team

The Team comprised:

Mark Warner	Lead Auditor
Naomi Hill	Auditor

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

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

7 Review of Previous Audit Recommendations

WES Engineering and Resource Consultant's Operational Audit and Review of Asset Management System was reviewed. There were no actions made in the report.

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 Goomalling 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 Goomalling provides its water services?	Linton Thomas	Good	Yes. Sighted AMP and licence The Shire of Goomalling utilises the Plan Number (OWR-OA-032 (B) Goomalling) as the primary reference to the Operating Area in which it provides water services.	None
Clause 6 Asset Management System	Is there an Asset Management System in place for the water service assets of the Shire of Goomalling?	Linton Thomas	Excellent	Yes. AMP	None
	Have the details of the system, and any changes, been forwarded to the Authority?	Linton Thomas	Excellent	Yes. Sighted AMP acceptance letter for the Authority.	None
	Does the system set out the measures to be taken by the Shire of Goomalling for the proper maintenance of its assets and the undertaking, maintenance and operation of water service works?	Linton Thomas	Good	Yes. This is covered by having funds set aside for the maintenance and operation of water service works.	None
	Has the information on maintenance activities been collected and recorded in accordance with documented procedures?	Mark Johnston	Good	Yes. Sighted documentation at pump station.	None
	Are the procedures understood by staff?	Mark Johnston	Good	Yes. Maintenance/incident book well maintained and had a comprehensive understanding of the system and maintenance schedule.	None
Clause 8 Technical Standards	Does the Shire of Goomalling comply with the technical standards for the provision of and the undertaking, maintenance and operation of Water Services works as	Linton Thomas	N/A	N/A	None

Shire of Goomalling 2005 Operational Audit & Asset System Review

	published in the Government Gazette?				
	Is the Government Gazette readily available and reviewed?	Linton Thomas	N/A	N/A	None
Clause 9 Industry Standards	Does the Shire of Goomalling observe the <i>Severage Code of Australia WSA 02 1999</i> when designing/constructing works?	Linton Thomas	Good	Yes. After speaking with the EHO the pump station complied with the Code, however no documented evidence to confirm this statement. Due to the lack of risk it was not deemed adequate.	None
Clause 10 Accounts	Are the Shire of Goomalling's accounts consistent with the requirements of the <i>Local Government Act 1995</i> ?	Natalie Bird Senior Finance Officer	Good	2004/2005 Munroe and Wyllie Audited the accounts in Sep 2005.	None
	Does the Shire of Goomalling 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?	Natalie Bird Senior Finance Officer	Good	Yes. 2004/2005 Munroe and Wyllie Audited the accounts in Sep 2005 which confirm this	None
Clause 11 Prices or charges	Do the prices and charges set by the Shire of Goomalling comply with the <i>Health Act 1911</i> and the <i>Local Government Act 1995</i> ?	Natalie Bird Senior Finance Officer	Good	Yes. 2004/2005 Munroe and Wyllie Audited the accounts in Sep 2005 which confirm this	None
Clause 12 Methods or principles to be applied in the provision of Water Services	How does the Shire of Goomalling ensure that water services provided on its behalf comply with the terms and conditions of the Licence and relevant legislation?	Linton Thomas	Good	After discussions with the EHO external audits and water monitoring are used as indicators that the water services comply with licence and legislation.	None

Shire of Goomalling 2005 Operational Audit & Asset System Review

	How does the Shire of Goomalling ensure that its water services are available for connection on request to any land within the Operating Area?	Linton Thomas	Good	Yes. Sewerage main ready for connection.	None
	How does the Shire of Goomalling ensure that the services it supplies are safe, reliable and financially viable?	Linton Thomas	Good	Budget Control, water sampling, management of infrastructure.	None
Clause 14 Specific information to be provided	Has the Shire of Goomalling informed the Authority within five days of any overflows from wastewater/sewerage infrastructure?	Linton Thomas	Inadequate	3 overflows resulting from blockages in the 2004/05 period, however the Authority has not been informed. 2 overflows during 2003/04 occurred and the annual statistics were provided to the Authority. No evidence	Provide the previous annual statistics immediately and ensure that future statistics are provided as per the requirements of the licence.
	If the Authority requested any detailed reports on overflow events, have they been provided within 14 days of the request?	Linton Thomas	Inadequate		Provide the previous annual statistics immediately and ensure that future statistics are provided as per the requirements of the licence.
	Has the Shire of Goomalling provided the information in Schedule 3 been reported to the Authority within 30 days of the end of each financial year?	Linton Thomas	Inadequate	EHO was not aware that this was required.	2004/05 Schedule 3 to be filled and submitted ASAP. Schedule 3's to be submitted within 30 days of the end of the financial year.
Clause 15/Schedule 2 Performance Standards	Are customers provided with non-potable water annually notified that the water supplied is not potable?	Linton Thomas	Largely adequate	Treated effluent is used to irrigate sporting field. Currently no signs have been posted nor has there been any notices given to Customers. The Sporting Complex Management, however has verbally informed Complex users that non-potable water is used on the oval and it has been	Recommend that notification about the use of treated effluent on the sports field be sent out with rates notice and that signs are erected.

Shire of Goomalling 2005 Operational Audit & Asset System Review

				deemed that due to the small size of the community, Customers are aware of the use of non-potable water and therefore the risk is considered small.	
Overflows	Have 90% or more of customers had no sewerage overflows onto their properties?	Linton Thomas	Largely adequate	Yes, 98% of properties had no overflow.	None
Blockages	Were there less than 40 blockages per 100 km length of sewer?	Linton Thomas	Good	Yes. 2 blockages in the proceeding 12 months. (equivalent of 19 blockages per 100 km) below the performance standard.	None
Emergency response	Has Shire of Goomalling implemented an emergency telephone number? Do 90% of customers receive advice within one hour of reporting an emergency?	Linton Thomas	Excellent	Yes. There are 6 numbers that can be used in case of an emergency. 1 emergency response occurred.	None
Responsiveness to Customer Complaints	Are 90% of written customer complaints resolved within 21 days?	Linton Thomas	Good	Customer Charter outlines complaints response policy, which is to respond within 21 working days. No complaints received.	None
Clause 16 Terms and conditions of customer contracts	Have the Shire of Goomalling entered into agreements with customers to provide water services?	Linton Thomas	N/A	The Shire of Dowerin has not entered into any agreements to provide water services.	None
	If so, have any of the terms and conditions been modified without written approval from the Authority?	Linton Thomas	N/A	The Shire of Dowerin has not entered into any agreements to provide water services.	None
Clause 17 Obligations to public authorities and other Licensees	Do the wastewater treatment plants operated by the Shire of Goomalling have the relevant licences from the Department of Environment and are they operated in accordance with these licences?	Linton Thomas	Good	Yes. Sighted a letter from the Department of Environment stating the Licensing terms have been met.	None
Clause 18 Consumer Consultation	Have the Shire of Goomalling held a public meeting or advertised for written submissions prior to making major changes to the operation of the water service?	Linton Thomas	N/A	Not made any major changes, therefore no meetings held, but would if there was reason.	None

Shire of Goomalling 2005 Operational Audit & Asset System Review

	Does the Shire of Goomalling 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> ?	Linton Thomas	Good	10 minutes open question time at the beginning of each meeting.	None
Clause 19 Customer Service Charter	Does the Shire of Goomalling have a “plain English” Customer Service Charter?	Linton Thomas	Excellent	Yes. Sighted the Customer Service Charter and contents.	None
	Does the Charter address all of the service issues reasonably likely to be of concern to its Customers?	Linton Thomas	Good	Yes. Sighted the Customer Service Charter	None
	Has the Charter been reviewed within the last three years?	Linton Thomas	Excellent	Yes. Last reviewed in January 2005.	None
	Have any changes to the Charter been approved by the Authority?	Linton Thomas	Good	Yes. Sighted letter of confirmation from the Authority.	None
	How does the Shire of Goomalling make the Charter available to its Customers?	Linton Thomas	Largely adequate	Available upon request. There is no Charter on display in prominent position in Shire office nor is it sent to customers annually.	Display Charter in Shire office and send to customers annually.
	Does the Shire of Goomalling provide services that are consistent with the Charter?	Linton Thomas	Largely adequate	Yes. Except for Charter availability	As above
Clause 20 Dispute Resolution	Is there a system in place for recording, managing and resolving customer complaints?	Linton Thomas	Good	Yes. Sighted Shire of Goomalling Complaints Relating to Sewage or Refuse form and register.	None

Shire of Goomalling 2005 Operational Audit & Asset System Review

	Are there officers designated to deal with complaints, and are they authorised to settle disputes, including monetary compensation where necessary?	Linton Thomas	Good	Yes. After discussions with Linton the EHO is capable of dealing with all complaints.	None
	Are Customers made aware that they can refer any dispute between themselves and the Shire of Goomalling to the Water Services Planning Branch of the Department of Water?	Linton Thomas	Excellent	Yes through the Customer Charter and through Shire personnel.	None
	Where complaints are not resolved within 21 days, is the Customer advised of alternative forms of redress?	Linton Thomas	Good	In Customer Charter, but has not occurred.	None

9 Summary of Operational Audit Findings

Overall, the Shire of Goomalling's compliance with licence conditions was mainly good, with Clause 8 (Technical Standards) accounting for the two non-compliances. This was due to the Shire of Goomalling not referring to the Government Gazette before installing a new pump and switch board.

The following issues were regarded as 'Inadequate'.

9.1 Specific Information to be Provided (Clause 14)

There have been three overflows during the 2004/05 period without any evidence that the Authority has been informed since the last audit. The Shire of Goomalling is required to provide the previous annual statistics immediately and ensure that future statistics are provided as per the requirements of the licence.

The following issues were regarded as 'Largely adequate'.

9.2 Performance Standards (Clause 15/Schedule 2)

Treated effluent is used to irrigate the sporting field; however there are no signs or evidence of annual notification to all Customers that the water is not suitable for drinking. The community is aware that non-potable is used by the sporting complex; however it is recommended that a notification about the use of the treated effluent in the sports field be sent out with rates notice and that signs are erected.

9.3 Customer Service Charter (Clause 19)

The Charter was reviewed in February 2005, so it is due for review in 2008. The Charter also needs to be displayed in a visible area in the Shire of Goomalling's office and sent annually to customers.

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?	Yes. Sighted the Mission Statement in the AMP. <i>“The mission of the Shire of Goomalling in providing this service is to provide cost effective wastewater collection, treatment and disposal services for the town of Goomalling, which meets community expectations for health and environmental management.”</i>	Excellent
b.	Have the life cycle costs been considered?	Yes. Sighted in AMP	Good
c.	Has the need for new assets been determined and full project evaluation processes been followed, including comparative assessment of non-asset solutions?	Yes. AMP	Good

Shire of Goomalling 2005 Operational Audit & Asset System Review

Item No.	Test	Comments	Effectiveness
d.	Have documents recording relevant details on the asset been collected?	Yes. A summary of the relevant details is included within the current AMP.	Good
e.	Do assets reflect the objectives identified in the asset creation/acquisition phase?	Yes. Small system adequately designed and run.	Good
f.	Are actual costs as predicted?	Yes. AMP	Good

Overall Comment

This area of the asset management system is operating at a good level for the existing and likely future operations of the service.

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?	Yes. The performance requirements are defined within the current operating licence, and water quality objectives are noted within the AMP and Customer Charter.	Good
b.	Are the asset system objectives documented?	Yes. Service delivery objectives are defined in the Operating Licence. The AMP and Customer Charter specifically addresses the system objectives.	Good
c.	Have the opportunities and threats in the system environment been assessed?	No. No risk assessment has been undertaken with remedial actions and contingency plans	Inadequate
d.	Are regulatory obligations and statutory/regulatory requirements documented?	Yes. Sighted in the AMP	Good
e.	Is the asset meeting the level of service required by users of the service?	Yes. There has been no written complaints reflecting that the asset is meeting the required level of service.	Good
f.	Do the assets meet regulatory requirements?	Yes. The AMP documents the performance requirements for the assets as set out in the Water Services Operating Licence.	Good

Overall Comment

This AMP provides good documentation of the asset system environment; however opportunities and threats need to be assessed.

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. AMP	Good
b.	Has the asset performance and condition been assessed?	Asset performance has been assessed and detailed in the AMP.	Good
c.	Does the asset management plan include an asset register and plans of asset system components?	Yes. AMP	Good
d.	Does the register record asset type, location, material and an assessment of assets' physical/structural condition?	The asset register with the AMP provides much of the necessary data except for 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
f.	Assets assessed for capability and deficiencies of current assets to meet performance requirements?	Based on complaints/breakdown and 5 year AMP review.	Largely adequate
g.	Are practices covering operating rules and maintenance documented?	Yes. Sighted AMP and Mark Johnston keeps documentation of all maintenance and repairs.	Good
h.	Do maintenance plans cover preventative and corrective maintenance?	Yes. AMP	Good

Shire of Goomalling 2005 Operational Audit & Asset System Review

Item No.	Test	Comments	Effectiveness
i.	Are actual assets and human resources appropriate for performance requirements?	The level of asset development and staffing appears adequate to meet the performance requirements. EHO, Accountant and Works Supervisor share the responsibility of the asset.	Good
j.	Do operation and maintenance practices reflect performance targets?	Practices are appropriate for scale and value of assets.	Good
k.	Are costs measured and recorded?	Costs are measured and recorded in the AMP	Largely adequate
l.	Is the asset under-utilised?	Yes. It has greater capacity than it currently utilises and even with growth it probably will never reach its capacity. The assets have been developed for the Town size with the capability to add more sewage connections	Good
m.	Is the level of maintenance justified against replacement cost?	Yes. Although not documented the level of maintenance is justified against replacement costs.	Good
n.	Has the asset been inspected?	Yes. Feb 2005 sighted in AMP	Good
o.	Is the assets' theoretical life known?	Yes. AMP	Good
p.	Does the assess management plan enable the prediction of asset deterioration and failure.	Yes. Sighted AMP that predicts the asset deterioration based on life span. This aspect of the AMP requires further development. The asset plan could be used in conjunction with systematic patterns to determine actual asset deterioration and failure.	Largely Adequate
q.	Do the maintenance plans and operational plans relate to what is required to achieve the levels of service required of the system?	Yes. Sighted basic principals of operation and maintenance within the AMP	Good

Overall Comment

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

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?	There is no evidence of Risk Assessment	Inadequate
b.	Has the probability and consequences of asset failure have been identified?	The probability and consequences have been considered and identified but not documented.	Inadequate
c.	Are appropriate contingency plans in place?	There is no written contingency plan.	Inadequate
d.	Is risk management practiced?	Risk management is considered, although not documented.	Inadequate
e.	Where unacceptable risks have been identified have risk control measure been implemented?	No unacceptable risks were identified during the informal risk assessment.	Largely adequate
f.	Where events that may result in severe consequences have been identified have contingency plans been developed?	There is no contingency plan	Inadequate

Overall Comment

The analysis of risk is at an inadequate/non-existent level. An overflow and emergency procedure needs to be developed.

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)?	Yes. Sighted Shire of Goomalling Financial Report For the Year Ending 30 th June 2005.	Good
b.	Does the financial plan cover the financial objectives and strategies and actions to achieve the objectives?	Yes. Sighted Shire of Goomalling Adopted Budget for the year of Ended 30 June 2005.	Good
c.	Does the financial plan identify the source of funds for the capital expenditure plan?	Yes. Sighted Shire of Goomalling Adopted Budget for the year of Ended 30 June 2005.	Good
d.	Are the sources of funds for operation, maintenance and administration identified in the financial plan?	Yes.	Good
e.	Does the financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period?	Financial plan is based on a yearly calculation. Capital expenditure needs to also be updated in the AMP (currently blank).	Good
f.	Does the financial plan provide for the operation and maintenance, administration and capital expenditure requirements of the scheme?	Yes. Sighted in Annual Report (Budget). Listed in Financial Plan and separates the operation, maintenance and administration. There is a Reserve Fund for future capital expenditure.	Good

Overall Comment

Other than the annual budget detailing operation and maintenance revenue and expenditure, financial planning could be improved. This should be done as part of the AMP review. Once asset life and expected replacements are determined, this information could be used to feed into the Principal Activities Plan. The Shire has adequate Reserve Funds to support current operations.

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, is current in the AMP, although the integrity of the plan is questionable and should be revised and updated.	Largely adequate
b.	Does the plan cover the issues to be addressed, the actions proposed, the centre of responsibilities, and deadline dates?	Yes, in AMP.	Good
c.	Does the plan provide reasons for capital expenditure and timing of expenditure?	Yes, in AMP.	Good
d.	Is the capital expenditure plan consistent with the asset life and condition identified in the asset management plan?	The life expectancy and actual condition of the asset may differ and therefore there is a requirement for a Capital expenditure plan.	Largely Adequate

Overall Comment

This aspect of the asset management system is at a largely adequate to good.

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?	Yes. Every 5 years	Good
b.	Are asset management plans being reviewed at appropriate intervals?	Yes	Excellent
c.	Are the asset management plans current?	Yes. The current AMP is dated February 2005	Excellent

Overall Comment

This aspect of the asset management system is considered excellent.

11 Summary of Asset Management Review Findings

11.1 Introduction

The 2005 Asset Management System audit is the third external assessment undertaken on Goomalling'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 Plan was reviewed in February 2005, however the Capital Expenditure needs to be updated and the Financial Plan (section 10) was not available for viewing. The financial planning and capital expenditure planning are also largely adequate, with the capital expenditure planning underpinned by a sewerage reserve fund, however a 5 year plan for capital expenditure will need to be developed.

The Asset Management System is adequate for the size of the Shire of Goomalling'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 AMP, along with the Customer Charter, detail the level of service the customer can stand to expect from the Shire of Goomalling.

11.2 Specific Findings and Recommendations from Current Review

11.2.1 Asset Planning/Creation/Acquisition

This area of the asset management system is operating at an acceptable level due to the size of the system and the fact the population is constant and is not expected to remain constant for the next 5 years.

Assessment: Good.

11.2.2 Environmental Analysis

The operating environment is adequately understood, with the service delivery of a high standard.

Recommendation

Opportunities and threats need to be assessed and documented.

Assessment: Good.

11.2.3 Asset Management System Analysis

The AMP was reviewed in April 2005 and is an excellent document with clearly written operation and maintenance plans, as well as an up to date and comprehensive asset register which also has an indication of the asset condition and scheduled replacement date.

Recommendation

The location of each asset should be included within the asset register. The asset deterioration is currently only based on predicted life span. This aspect of the AMP could be improved by incorporating systematic patterns to determine actual asset deterioration and failure.

Assessment: Good.

11.2.4 Risk Analysis and Contingency Planning

No risk assessment and analysis has been conducted.

The system is minor and the ponds are located such that any catastrophic failure will result in local, minor environmental damage rather than human harm. Contingency measures will need to be developed, including financial to deal with any contingencies.

There is a sewerage reserve fund which appears in the annual budget and gets regular inputs of cash and there is a Shire employed plumber available on call.

Recommendation

Conduct a risk assessment and develop a contingency plan.

Assessment: Inadequate.

11.2.5 Financial Planning

Other than the annual budget detailing operation and maintenance revenue and expenditure, financial planning needs to be updated. This should be done as part of the AMP review, however this was omitted during the last review. Once asset life and expected replacements are determined, this information could be used to feed into the Principal Activities Plan.

Recommendation

Update the Financial Plan during the next AMP review.

Assessment: Good.

11.2.6 Capital Expenditure Plan

The capital expenditure plan was not updated during the last review instead was last evaluated in 2005. Fortunately the population and the needs for the Shire of Goomalling's asset base have remained constant over that period. There is also a sewerage reserve fund that gets added to each year as part of the annual budget process.

Recommendation

Update the capital expenditure plan. A review of existing asset life, capital replacement and asset acquisition needs to be undertaken to determine when future expenditure is likely to be required. As the assets come close to needing replacement, it is expected that these will be included in the capital expenditure planning.

Assessment: Largely adequate to good.

11.2.7 Review

The Asset Management Plan and the Customer Charter have been reviewed since the last audit was undertaken and have been submitted to the Authority for approval.

The Licence stipulates that the AMP and Charter should be reviewed no later than every 36 months.

Recommendation

The AMP and Charter should be reviewed every 12 months at the same time as the annual budget, and updated as necessary.

Assessment: Excellent.

12 References

- Shire of Goomalling Water Services Provider Operational Audit: Sewerage Scheme 2003
- Shire of Goomalling Customer Services Charter for Wastewater Services January 2005
- Letter from DoE re: Registration Application
- Shire of Goomalling Supplementary Information Forming Part of the Budget for the year ended 30th June 2005
- Shire of Goomalling's Community Amenities Financial Statement for the Period Ending 30/6/05
- Asset Management Plan February 2005
- Schedule 3: Shire of Goomalling Operating Licence
- Water Sampling