
Shire of Jerramungup
2005 Operational Audit and
Asset Management System Review

Final Report



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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 SOJ 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 Jerramungup Operational Audit Checklist	11
9	SUMMARY OF OPERATIONAL AUDIT FINDINGS	20
	9.1 Specific Information to be provided (Clause 14)	20
	9.2 Asset Management System (Clause 6)	20
	9.3 Industry Standards (Clause 9), Customer Complaints (Clause 15)	20

10	ASSET MANAGEMENT SYSTEM REVIEW – KEY OUTPUTS AND PERFORMANCE	21
10.1	Effectiveness Rating Scale	21
10.2	Asset Planning/Creation/Acquisition	22
10.3	Environmental Analysis	23
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	32
10.8	Review of Asset Management Plan	33
11	SUMMARY OF ASSET MANAGEMENT REVIEW FINDINGS	34
11.1	Introduction	34
11.2	Specific Findings and Recommendations from Current Review	34
11.2.1	Asset Planning/Creation/Acquisition	34
11.2.2	Environmental Analysis	34
11.2.3	Asset Management System Analysis	35
11.2.4	Risk Analysis and Contingency Planning	35
11.2.5	Financial Planning	35
11.2.6	Capital Expenditure Plan	35
11.2.7	Review	36
12	REFERENCES	37

Executive Summary

Background

The Shire of Jerramungup (SOJ) has been issued an Operating Licence for the provision of sewerage and non-potable water supplies in the town of Jerramungup until 29th April 2021.

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

The Jerramungup sewerage system consists of approximately 5000 meters of sewerage reticulation, two oxidation ponds and a chlorination plant and pump which supplies treated effluent to irrigate the sports oval.

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 SOJ to maintain those quality and performance standards that are referred to in SOJ's Operating Licence.

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

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

SOJ, 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 Jerramungup (SOJ) to maintain those quality and performance standards which are referred to in SOJ's Operating Licence. Specifically, the audit considered the systems and effectiveness of processes used by SOJ to ensure compliance with the standards, outputs and outcomes required by the Licence.

The *Water Services Licensing Act 1995* also requires that SOJ provide for and maintain an asset management system. The system must set out the measures to be taken by SOJ for the proper maintenance of its assets and for the undertaking, maintenance and monitoring of its water services works. The Act further requires SOJ 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 SOJ 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 SOJ 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, SOJ has responded positively to the recommendations made, with all 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 one non-compliance was found. 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	Good
Clause 8	Technical Standards	Good
Clause 9	Industry Standards	Largely adequate
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	N/A
Charter	Overflows	Good
Charter	Blockages	Largely adequate
Charter	Emergency response	Good
Charter	Responsiveness to Customer Complaints	Largely adequate

Clause/Schedule	Standard	Compliance Scale
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 SOJ'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 SOJ.

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 to good

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 Jerramungup is achieving a good level of compliance with the requirements of the Operating Licence. This report has identified one instance in which SOJ's compliance with Licence requirements needs to be improved.

The review revealed that SOJ'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 SOJ.

It is the Auditor's professional opinion that the Shire of Jerramungup 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 SOJ, 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 SOJ to maintain those quality and performance standards referred to in the Licence, and
- the effectiveness of processes implemented by SOJ 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 SOJ and the Authority, Mark Warner undertook the on-site component of the audit and review on 29th 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 SOJ to maintain those quality and performance standards which are referred to in SOJ's Operating Licence.

Specifically, the audit considered the systems and effectiveness of processes used by SOJ 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 SOJ provide for and maintain an asset management system. The system must set out the measures to be taken by SOJ 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 SOJ 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 SOJ 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				
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(b), 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

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 Jerramungup'* 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 SOJ'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);

- SOJ's Customer Service Charter;
- relevant Policies and Procedures established by SOJ 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;

- SOJ'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 SOJ 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 with 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 SOJ representatives participating in the audit;

Operational Audit ONLY

- Where significant non-compliance has been detected and SOJ 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 1st December 2002 to 30 November 2005.

6 Staff Resources

6.1 SOJ Representatives

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

Darren Long	CEO
Jamie and Lil	Administration staff

6.2 Audit and Review Team

The Team comprised:

Mark Warner	Lead Auditor
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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

7.1 Aquaterra Consulting Audit – March 2003

Item No.	Recommendation	Action Taken
1	SOJ to apply for a once off registration with the Department of Environmental Protection for the wastewater treatment plant..	Done. Assessment: Good . Closeout recommended.
2	Customer Service Charter should be reviewed and updated.	Charter has been updated (July 2005) and customers are notified of its availability. Assessment: Good . Closeout recommended.
3	SOJ to advise customers of the availability of the Customer Complaints on an annual basis by issuing a note on the Charter with the rates notice.	Done Assessment: Good . Closeout recommended.
4	The AMP to be reviewed annually at the same time as the Principal Activities Plan.	Done. Assessment: Good . Closeout recommended.
5	A Maintenance Register should be established and kept up to date.	Done. Assessment: Good . Closeout recommended.
6	The Authority should be informed of the details of the effluent re-use scheme.	Done. Assessment: Largely adequate . Closeout recommended.
7	The Asset register should be improved to better define some of the sewerage system components.	Done, as part of AMP update. Assessment: Good . Closeout recommended.
8	The Asset Register and Capital Expenditure Plan in the AMP should both be updated. The Capital Expenditure Plan should reflect the Annual Budget.	Since the last audit, SOJ have updated their AMP Assessment: Good . 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 Jerramungup 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 Jerramungup provides its water services?	Darren Long	Good		None

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
Clause 6 Asset Management System	Is there an Asset Management System in place for the water service assets of the Shire of Jerramungup?	Darren Long	Largely adequate	Viewed the September 2003 issue. There is an updated issue that was not located on the day of the audit.	None
	Have the details of the system, and any changes, been forwarded to the Authority?		Largely adequate	Details of the re-use system have been forwarded to the Authority as per the recommendation of the previous audit.	None
	Does the system set out the measures to be taken by the Shire of Jerramungup for the proper maintenance of its assets and the undertaking, maintenance and operation of water service works?		Good	The Asset Management Plan sets out the appropriate maintenance requirements.	None
	Has the information on maintenance activities been collected and recorded in accordance with documented procedures?		Good	Maintenance schedule is kept in the depot by the Works Manager. CEO is notified if there is a problem.	None
	Are the procedures understood by staff?		Good.	Senior staff are responsible to ensure maintenance is carried out appropriately.	None

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
Clause 8 Technical Standards	Does the Shire of Jerramungup 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?	Darren Long	Good	SOJ keep up to date with the relevant standards by receiving direct updates via email of the new standards from the appropriate government bodies as and when they are altered.	None
	Is the Government Gazette readily available and reviewed?		Good	To CEO, then forwarded as necessary	None
Clause 9 Industry Standards	Does the Shire of Jerramungup observe the <i>Sewerage Code of Australia WSA 02 1999</i> when designing/constructing works?	Darren Long	Largely adequate	Expect so, but not much has been constructed in over 10 years.	None
Clause 10 Accounts	Are the Shire of Jerramungup's accounts consistent with the requirements of the <i>Local Government Act 1995</i> ?	Darren Long	Good	Sighted independent auditor's report.	None

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
	Does the Shire of Jerramungup 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	There is an independent audit undertaken of the financial statements. Sighted independent auditor's report.	None
Clause 11 Prices or charges	Do the prices and charges set by the Shire of Jerramungup comply with the <i>Health Act 1911</i> and the <i>Local Government Act 1995</i> ?	Darren Long	Good	As part of the rates	None
Clause 12 Methods or principles to be applied in the provision of Water Services	How does the Shire of Jerramungup ensure that water services provided on its behalf comply with the terms and conditions of the Licence and relevant legislation?	Darren Long	Good	Manholes inspected each morning, and a major inspection at the end of each week for blockages, etc.	None
	How does the Shire of Jerramungup ensure that its water services are available for connection on request to any land within the Operating Area?		Good	Part of Building Licence Application. Council then provides connection point.	None

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
	How does the Shire of Jerramungup ensure that the services it supplies are safe, reliable and financially viable?		Good	Assessment process to determine the type of waste, mainly domestic and commercial. Specific conditional requirements on what can and can't be put into system. Can't guarantee that all applicants would be connected.	None
Clause 14 Specific information to be provided	Has the Shire of Jerramungup informed the Authority within five days of any overflows from wastewater/sewerage infrastructure?	Darren Long	Good	No overflows, so N/A	None
	If the Authority requested any detailed reports on overflow events, have they been provided within 14 days of the request?		N/A		
	Has the Shire of Jerramungup provided the information in Schedule 3 to the Authority within 30 days of the end of each financial year?		Inadequate	Not done this year as no Environmental Health Officer (EHO) employed.	CEO to complete and submit Schedule 3 ASAP

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
Clause 15/Schedule 2 Performance Standards	Are customers provided with non-potable water annually notified that the water supplied is not potable?	Darren Long	N/A	No non-potable water supplied. Oval reticulation only	None
Overflows	Have 90% or more of customers had no sewerage overflows onto their properties?		Good	No overflows reported.	None
Blockages	Were there less than 40 blockages per 100 km length of sewer?		Good	2 for the year (>5km of sewer pipe).	None
Emergency response	Has Shire of Jerramungup implemented an emergency telephone number? Do 90% of customers receive advice within one hour of reporting an emergency?		Good.	Yes. Been no emergencies reported.	None
Responsiveness to Customer Complaints	Are 90% of written customer complaints resolved within 21 days?		Largely adequate.	Customer Charter outlines complaints response policy, which is within 10 working days. No complaints received.	None

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
Clause 16 Terms and conditions of customer contracts	Have the Shire of Jerramungup entered into agreements with customers to provide water services?		N/A	None. Contractor pumps out wet well every two years.	None
	If so, have any of the terms and conditions been modified without written approval from the Authority?		N/A		None
Clause 17 Obligations to public authorities and other Licensees	Do the wastewater treatment plants operated by the Shire of Jerramungup have the relevant licences from the Department of Environment and are they operated in accordance with these licences?		Good	DOE has individually registered the three sites.	None
Clause 18 Consumer Consultation	Have the Shire of Jerramungup held a public meeting or advertised for written submissions prior to making major changes to the operation of the water service?		N/A	Not made any major changes recently, therefore no meetings held, but would if there was reason.	None

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
	Does the Shire of Jerramungup 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	All questions are allowed at question time.	None
Clause 19 Customer Service Charter	Does the Shire of Jerramungup have a “plain English” Customer Service Charter?		Good	Sighted and attached.	None
	Does the Charter address all of the service issues reasonably likely to be of concern to its Customers?		Good		None
	Has the Charter been reviewed within the last three years?		Good		None
	Have any changes to the Charter been approved by the Authority?		Good		None
	How does the Shire of Jerramungup make the Charter available to its Customers?		Good	Front door; notify people through rates notice that it’s there and they can obtain copies.	None

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
	Does the Shire of Jerramungup provide services that are consistent with the Charter?		Good	Lack of customer complaints evidence of this.	None
Clause 20 Dispute Resolution	Is there a system in place for recording, managing and resolving customer complaints?		Good	In Customer Service Charter. Formal customer complaint form to fill out, then referred to relevant officer for action.	None
	Are there officers designated to deal with complaints, and are they authorised to settle disputes, including monetary compensation where necessary?		Good	Darren Long (CEO), EHO and Works Manager.	None
	Are Customers made aware that they can refer any dispute between themselves and the Shire of Jerramungup to the Water Services Planning Branch of the Department of Water?		Good	Yes.	None
	Where complaints are not resolved within 21 days, is the Customer advised of alternative forms of redress?		Good	In charter. No need to date.	None

9 Summary of Operational Audit Findings

Overall, the SOJ's compliance with licence conditions was good. Only one issue was found to be non-compliant. The following section details this issue as well as providing some recommendations in regard to corrective action.

The auditor does not believe that compliance plans are required.

9.1 Specific Information to be provided (Clause 14)

The information required in Schedule 3 has not been filled in and submitted to the Authority.

Recommendations

The SOJ immediately fill in the Schedule 3 form and forward it to the Authority. SOJ 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'.

9.2 Asset Management System (Clause 6)

The Asset Management Plan sighted was the September 2003 edition; there was also an updated one, although this was not able to be located at the time of the audit.

Recommendation

The latest AMP be found and placed in an easily accessible location for all those who require access to it. Also, if necessary, it should be forwarded to the Authority for approval.

9.3 Industry Standards (Clause 9), Customer Complaints (Clause 15)

These received 'Largely adequate' ratings due to there being no records of compliance. This is due to there being no construction undertaken or customer complaints received since the last audit.

Recommendation

It is assumed that these would be given a 'Good' rating had the situation arisen.

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?	No requirement to increase capacity of system, due to stability of the population. No new assets required over the next four years.	Good
b.	Have the life cycle costs been considered?	N/A	N/A
c.	Has the need for new assets been determined and full project evaluation processes been followed, including comparative assessment of non-asset solutions?	N/A	N/A
d.	Have documents recording relevant details on the asset been collected?	N/A	N/A
e.	Do assets reflect the objectives identified in the asset creation/acquisition phase?	N/A	N/A
f.	Are actual costs as predicted?	N/A	N/A

Overall Comment

The population of the town of Jerramungup has recently increased slightly after five years of decrease. As a result of the previous decreases in population, there has been no requirement to increase capacity by acquiring new assets. Regular maintenance ensures smooth operation of the existing system, thus maximising the remaining life.

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?	Located in Asset Management Plan, although AMP was September 2003, not current one which, although completed, was not able to be located.	Largely Adequate
b.	Are the asset system objectives documented?	Refer Asset Management Plan	Largely Adequate
c.	Have the opportunities and threats in the system environment been assessed?	Section 6.4 identifies all the threats. No further opportunities for effluent reuse. Make mention in AMP that there are no further opportunities.	Largely adequate
d.	Are regulatory obligations and statutory/regulatory requirements documented?	Department of Environment one-off registration has been granted	Good
e.	Is the asset meeting the level of service required by users of the service?	Yes, as indicated by the lack of complaints, although there were two sewer blockages within the past 12 months, which is slightly less than the limit of no more than 40 per 100 km length.	Largely adequate
f.	Do the assets meet regulatory requirements?	Department of Environment one-off registration has been granted.	Good

Overall Comment

The sighted version of the Asset Management Plan was dated September 2003. A more recent plan has been produced but on the day of the audit could not be located. Even so, the AMP has been updated since the last audit was undertaken.

There were two sewer blockages in the past 12 months. With a total length of in excess of five km, this is under the licence limit of no more than 40 per 100 km of sewer length.

AMP should mention existing effluent re-use program.

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?	Refer to the Asset Management Plan	Largely Adequate
b.	Has the asset performance and condition been assessed?	The asset register describes each asset, when it was constructed, expected life and an overall assessment as to its condition.	Good
c.	Does the asset management plan include an asset register and plans of asset system components?	Asset register in Asset Management Plan. Plans of system sighted in plan cabinet.	Good
d.	Does the register record asset type, location, material and an assessment of assets' physical/structural condition?	Asset register records type, material and condition assessment. Drawings in plan cabinet detail location of pipes, manholes, etc.	Good
e.	Are systems in place to assess asset and practice efficiency?	Operational efficiency is determined by level of complaints. This is considered satisfactory given the size of the system.	Largely Adequate
f.	Assets assessed for capability and deficiencies of current assets to meet performance requirements?	Asset register details when capital replacement likely. Regular maintenance schedule undertaken.	Good

Item No.	Test	Comments	Effectiveness
g.	Are practices covering operating rules and maintenance documented?	Operating rules are specified in the AMP.	Good
h.	Do maintenance plans cover preventative and corrective maintenance?	Maintenance schedule (G) in AMP.	Good
i.	Are actual assets and human resources appropriate for performance requirements?	Yes as system is small and gravity fed. Lack of an EHO probable reason why Schedule 3 in Licence has not been filled in and forwarded to Authority.	Largely Adequate.
j.	Do operation and maintenance practices reflect performance targets?	Yes	Good
k.	Are costs measured and recorded?	Yes, in an operating statement in the AMP.	Good
l.	Is the asset under-utilised?	No change from previous audit. System at 2/3 capacity, but due to small scale it does not result in inefficiencies.	Largely adequate
m.	Is the level of maintenance justified against replacement cost?	\$2,500 per year. Minor work done on effluent pond. Installed comprehensive inspection process.	Good
n.	Has the asset been inspected?	The asset is expected as part of the regular maintenance	Good
o.	Is the assets' theoretical life known?	Yes, as indicated in AMP.	Good
p.	Does the assess management plan enable the prediction of asset deterioration and failure.	Yes, as indicated in AMP.	Good

Item No.	Test	Comments	Effectiveness
q.	Do the maintenance plans and operational plans relate to what is required to achieve the levels of service required of the system?	Yes, as evidenced by lack of complaints.	Good

Overall Comment

With regard to the size of the system, the assets are run very well, with planning made for future replacement of each asset.

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 done when the treatment works were constructed, and in the preparation of the AMP. As the system is small, failure will likely cause environmental harm rather than any risk to human health.	Good
b.	Has the probability and consequences of asset failure have been identified?	Asset failure would cause loss of service and some minor environmental harm.	Good
c.	Are appropriate contingency plans in place?	The local plumber is on call and funds are allocated in the sewerage scheme reserve for major repairs or replacements.	Good
d.	Is risk management practiced?	A Regional Risk coordinator in conjunction with 11 other councils in Great Southern region has been appointed; and risk is dealt with in the AMP.	Good
e.	Where unacceptable risks have been identified have risk control measure been implemented?	Firebreaks have been put around the ponds and a regular maintenance program is undertaken. Ponds are monitored for colour and outlets are checked.	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 has been developed.	Good

Overall Comment

Risk is well managed. The system is minor and the ponds are located such that any catastrophic failure will result in minor environmental damage rather than human harm.

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)?	Indicated in the AMP, section 10.4, as well as Appendix I and J as Balance Sheets and Cash Flow Statements.	Good
b.	Does the financial plan cover the financial objectives and strategies and actions to achieve the objectives?	AMP, section 10.1	Good
c.	Does the financial plan identify the source of funds for the capital expenditure plan?	The AMP identifies the source of funds for CAPEX to be sewerage rates, grants and the Shire's Effluent reserve.	Good
d.	Are the sources of funds for operation, maintenance and administration identified in the financial plan?	The AMP identifies the source of funds to be sewerage rates which are calculated and reviewed annually in the annual budget.	Good
e.	Does the financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period?	The financial plan in the AMP does not provide firm predictions on income for the next five years; however operations and expenditure are covered in the annual budget and Plan of Principal Activities.	Largely adequate

Item No.	Test	Comments	Effectiveness
f.	Does the financial plan provide for the operation and maintenance, administration and capital expenditure requirements of the scheme?	The Financial Plan, annual budget and Plan of Principal Activities all provide for the requirements of the scheme. Would be beneficial to take all the relevant points and include them all in the AMP.	Largely Adequate

Overall Comment

Overall, financial planning is well handled. It would be beneficial to have all the relevant financial and capital expenditure information pertaining to the sewerage scheme collated from the Financial Plan, Plan of Principal Activities and annual budget and included in the AMP.

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?	Shire prepares a Plan of Principal Activities every year detailing proposed major capital expenditure for the next four years.	Good
b.	Does the plan cover the issues to be addressed, the actions proposed, the centre of responsibilities, and deadline dates?	Yes. First major expense scheduled for the Wastewater system is the replacement of fencing in 2008/2009. As this time gets closer, the authors of the Plan will need to examine the need for the fencing upgrade.	Good
c.	Does the plan provide reasons for capital expenditure and timing of expenditure?	The timing is based upon the asset register. Other than fencing, there is no planned CAPEX on the sewer system in the near future.	Good
d.	Is the capital expenditure plan consistent with the asset life and condition identified in the asset management plan?	Yes, although fencing has not been outlined in the 2008/09 Plan of Principal Activities.	Largely adequate

Overall Comment

Capital expenditure planning is well done with a four year projection prepared every year.

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?	The Shire prepares a Plan of Principal Activities every year, and updates the AMP regularly.	Good
b.	Are asset management plans being reviewed at appropriate intervals?	Latest on is dated September 2003, although a later one has been prepared, but could not be located at the time of the audit.	Largely adequate
c.	Are the asset management plans current?	Sighted the September 2003 version of the AMP, but a later one has been completed.	Largely adequate

Overall Comment

The results from the previous audit have been taken on board and the AMP appears to be updated every two years. The Shire of Jerramungup has a well maintained and adequately funded asset management system.

11 Summary of Asset Management Review Findings

11.1 Introduction

The 2005 Asset Management System audit is the third external assessment undertaken on SOJ'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 SOJ'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 SOJ as well as the emergency numbers.

11.2 Specific Findings and Recommendations from Current Review

11.2.1 Asset Planning/Creation/Acquisition

The population of the town of Jerramungup has recently increased slightly after five years of decrease. As a result of the previous decrease in population, there has been no requirement to increase capacity by acquiring new assets. Regular maintenance ensures smooth operation of the existing system, thus maximising the remaining life.

Assessment: Good.

11.2.2 Environmental Analysis

The sighted version of the Asset Management Plan was dated September 2003. A more recent plan has been produced but on the day of the audit could not be located. Even so, the AMP has been updated since the last audit was undertaken.

There were two sewer blockages in the past 12 months. With a total length of in excess of five km, this is under the licence limit of no more than 40 per 100 km of sewer length.

Recommendation

The AMP should mention the effluent reuse program..

Assessment: Largely adequate to Good.

11.2.3 Asset Management System Analysis

The AMP was reviewed in September 2003 and has 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.

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 minor 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 financial plan fully supports the identified needs of SOJ'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.

Recommendation

It would be beneficial to have all the relevant financial and capital expenditure information pertaining to the sewerage scheme collated from the Financial Plan, Plan of Principal Activities and annual budget and included in the AMP.

Assessment: Good.

11.2.6 Capital Expenditure Plan

The Capital Expenditure Plan now identifies asset expenditures out to a four-year plus time horizon. There is also a sewerage reserve fund that gets added to each year as part of the annual budget process.

Assessment: Good.

11.2.7 Review

The results from the previous audit have been taken on board and the AMP appears to be updated every two years. The Shire of Jerramungup 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 to good.

12 References

- Jerramungup Sewerage Scheme
- Operational Audit and Asset Management Review 2002 – Aquaterra Consulting
- Shire of Jerramungup Annual Report 2003/2004
- Independent Auditor’s Report – extract from above
- Shire of Jerramungup Plan of Principal Activities 2005/06 – 2008/09
- Shire of Jerramungup Adopted Budget 2005/06
- Asset Management Plan 2003 - SMEC Australia
- File 10.7 Part 1 – DoE Licence approval
- Complaints form
- Complaints Register