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**Shire of Kent**

**2005 Operational Audit and  
Asset Management System Review**

**Final Report**

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January 2006

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**Document prepared by:**

**SMEC Australia Pty Ltd  
ABN 47 065 475 149**

**Level 6, 12 St. Georges Terrace Perth 6000  
Telephone (08) 9323 5900 Facsimile (08) 9323 5901**

Prepared by:

(SIGNED)

Mark Warner

Reviewed by:

(SIGNED)

Ian Deck

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# Executive Summary

## Background

The Shire of Kent (SOK) has been issued an Operating Licence for the provision of sewerage and non-potable water supplies in the towns of Nyabing and Pingrup until 29<sup>th</sup> April 2021.

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

The SOK sewerage system consists of two systems, one each for the towns of Nyabing and Pingrup. The total system consists of approximately 2.5 kilometres of sewerage reticulation, two oxidation ponds, two pump stations housing four pumps (in a duty/standby configuration).

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

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

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

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

The *Water Services Licensing Act 1995* also requires that SOK provide for and maintain an asset management system. The system must set out the measures to be taken by SOK for the proper maintenance of its assets and for the undertaking, maintenance and monitoring of its water services works. The Act further requires SOK 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 SOK 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 SOK 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, SOK has responded positively to the recommendations made, although follow up work is required to close out four issues. These issues were the same as were identified in the previous 2001 audit. However, no compliance plans are required as these issues do not, in the auditor's opinion, affect the performance of the wastewater treatment plant.

The Operation 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:

**Summary Level of Compliance**

Clause/Schedule	Standard	Compliance Scale
Clause 2(b)	Operating Area Schedule	Good
Clause 6	Asset Management	Largely adequate
Clause 8	Technical Standards	Largely adequate
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	Largely adequate
Clause 14	Specific information to be provided	Largely adequate
Clause 15/Sched 2	Performance Standards	N/A
Charter	Overflows	Good
Charter	Blockages	Good
Charter	Emergency response	Good

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

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 only aspect on which closeout was left open was for a maintenance register to be developed and used, although there was evidence that regular maintenance was undertaken.

The review revealed that SOK'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 SOK.



### 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.	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 Kent is achieving an adequate level of compliance with the requirements of the Operating Licence. This report has identified a number of instances in which SOK's full compliance with Licence requirements needs to be improved.

The review revealed that SOK'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 SOK.

It is the Auditor's professional opinion that the Shire of Kent 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 SOK, 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 SOK to maintain those quality and performance standards referred to in the Licence, and
- the effectiveness of processes implemented by SOK 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 SOK and the Authority, Mark Warner undertook the on-site component of the audit and review on 1<sup>st</sup> 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 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 SOK to maintain those quality and performance standards which are referred to in SOK's Operating Licence.

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

### 3 Risk Assessment

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

## 4 Methodology

### 4.1 Approach

The audit and review was undertaken in accordance with the *'Scope and Guidelines for Water Service Licence: Operational Audit, and Asset Management Reviews for the Shire of Kent'* 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 SOK'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 Appendix A);

- SOK's Customer Service Charter;
- relevant Policies and Procedures established by SOK 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;
- Performance Indicator data and reports;

- SOK'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 SOK 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 SOK representatives participating in the audit;



### **Operational Audit ONLY**

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

### **Asset Management Review ONLY**

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

## **4.6 Compliance Key**

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

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

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

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

## 5 Period Covered by the Audit/Review

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

## 6 Staff Resources

### 6.1 SOK Representatives

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

David Long	Works Manager
David Burt	CEO
Jade Hobley	Administration Officer, Finance

### 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
	<b>Total Hours</b>	<b>15</b>

## 7 Review of Previous Audit Recommendations

### 7.1 Aquaterra Consulting Audit – March 2003

Item No.	Recommendation	Action Taken
1	Future Schedule 3 forms should be sent to the OWR within 30 days of the end of each financial year.	No evidence that has been done for the current financial year. SOK to submit current form ASAP, and to submit subsequent forms on time.  Assessment: <b>Inadequate</b> . Closeout not recommended.
2	A volume of wastewater receiving primary treatment (other than “Nil”) should be completed in Schedule 3 prior to being sent to OWR.	See 1 above. SOK informed about this point.
3	SOK to apply for a once off registration with the Department of Environmental Protection for the wastewater treatment plant..	Still to be done. SOK to apply ASAP.  Assessment: <b>Inadequate</b> . Closeout not recommended.
4	Council should display the Customer Service Charter in the foyer and Customers should be notified of the availability of the Charter on an annual basis.	Charter has been produced and customers are notified of its availability. Not displayed in foyer, however.  Assessment: <b>Inadequate</b> . Closeout not recommended.
5	SOK should set up a formalised system to manage Customer Complaints. A complaints register should be established and used as part of the management system to provide evidence for performance assessment.	In past 2 years there have been only two complaints to SOK, none relating to water services. Complaints dealt with verbally and immediately.  Assessment: <b>Inadequate</b> . Closeout not recommended.
6	The AMP to be reviewed annually at the same time as the Principal Activities Plan.	This has been done.  Assessment: <b>Good</b> . Closeout recommended.
7	A Maintenance Register should be established and kept up to date.	Maintenance of WWTP under control of Building Maintenance Officer, not Works Manager, so there may be a Maintenance Register. This should be done ASAP.  Assessment: <b>Inadequate</b> . Closeout not recommended.

Item No.	Recommendation	Action Taken
8	Asset register in AMP should be improved to better define some of the sewerage system components, so that the register can be used for planning replacement of components or system upgrades.	Since the last audit, SOK have updated their AMP  Assessment: <b>Excellent</b> . Closeout recommended.
9	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, SOK have updated their AMP  Assessment: <b>Excellent</b> . Closeout recommended.

## 8 Operational Audit – Specific Compliance Issues Examined

### 8.1 Compliance Key

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

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

#### SHIRE OF KENT 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 Kent provides its water services?	David Long	Good		None

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
<b>Clause 6 Asset Management System</b>	Is there an Asset Management System in place for the water service assets of the Shire of Kent?	David Long	Good	Reviewed 2004. Comprehensive.	<b>Review annually with Annual Budget, and update as necessary</b>
	Have the details of the system, and any changes, been forwarded to the Authority?		Good	Original details submitted, but no major changes recently.	<b>None</b>
	Does the system set out the measures to be taken by the Shire of Kent for the proper maintenance of its assets and the undertaking, maintenance and operation of water service works?		Good	Maintenance schedule located in AMP.	<b>None</b>
	Has the information on maintenance activities been collected and recorded in accordance with documented procedures?		<b>Inadequate</b>	Maintenance undertaken, but no records kept.	<b>Maintenance recording system to be set up and utilised.</b>
	Are the procedures understood by staff?		Good.	Senior staff are responsible to ensure maintenance is carried out appropriately.	<b>None</b>

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
<b>Clause 8</b> <b>Technical Standards</b>	Does the Shire of Kent 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?	David Long	Good	SOK 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.	<b>None</b>
	Is the Government Gazette readily available and reviewed?		<b>Inadequate</b>	SOK has ceased to subscribe to the Government Gazette as it was found that it was not being read.	<b>None, as SOK remain up to date via email notification.</b>
<b>Clause 9</b> <b>Industry Standards</b>	Does the Shire of Kent observe the <i>Sewerage Code of Australia WSA 02 1999</i> when designing/constructing works?	David Long	Largely adequate	Presume so, no extension of sewerage system since late 1990's in Pingrup.	<b>None</b>
<b>Clause 10</b> <b>Accounts</b>	Are the Shire of Kent's accounts consistent with the requirements of the <i>Local Government Act 1995</i> ?	David Long	Good	Sighted independent auditor's report.	<b>None</b>
	Does the Shire of Kent 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	Sighted independent auditor's report.	<b>None</b>



Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
<b>Clause 11</b> <b>Prices or charges</b>	Do the prices and charges set by the Shire of Kent comply with the <i>Health Act 1911</i> and the <i>Local Government Act 1995</i> ?	David Long	Good	CEO sets budget on recommended rates.	<b>None</b>
<b>Clause 12</b> <b>Methods or principles to be applied in the provision of Water Services</b>	How does the Shire of Kent ensure that water services provided on its behalf comply with the terms and conditions of the Licence and relevant legislation?	David Long	Largely adequate	Shire maintains waste water treatment systems, only contracting out pumping of pump wet wells.	<b>None</b>
	How does the Shire of Kent ensure that its water services are available for connection on request to any land within the Operating Area?		Largely adequate	Excess capacity in system. All applications are referred as part of building application process.	<b>None</b>
	How does the Shire of Kent ensure that the services it supplies are safe, reliable and financially viable?		Good	Safe: Maintained and operated as per AMP, and is fenced off and locked.  Reliable: Wet wells pumped every 2 years. Have spare pump as back up.  Financially viable: Income and expenditure allowed for in Annual Budget.	<b>None</b>

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
<b>Clause 14</b>  <b>Specific information to be provided</b>	Has the Shire of Kent informed the Authority within five days of any overflows from wastewater/sewerage infrastructure?	David Long	Good	No overflows, so N/A	<b>None</b>
	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 Kent provided the information in Schedule 3 to the Authority within 30 days of the end of each financial year?		<b>Inadequate</b>	No evidence was sighted to indicate that SOK had forwarded a completed Schedule 3 form onto the Authority for the 2004/05 financial year.	<b>SOK to complete and forward the Schedule 3 form to the Authority ASAP. In future, Schedule 3 forms to be submitted within 30 days of the end of the Financial Year.</b>
<b>Clause 15/Schedule 2</b>  <b>Performance Standards</b>	Are customers provided with non-potable water annually notified that the water supplied is not potable?	David Long	N/A	No non-potable water supplied.	<b>None</b>

<b>Operating Licence Clause or Schedule</b>	<b>Specific Compliance Issues/Requirements</b>	<b>Auditee</b>	<b>Activity Compliance</b>	<b>Comments/Remarks</b>	<b>Actions</b>
<b>Overflows</b>	Have 90% or more of customers had no sewerage overflows onto their properties?		Good	No overflows reported.	<b>None</b>
<b>Blockages</b>	Were there less than 40 blockages per 100 km length of sewer?		Good	No blockages reported.	<b>None</b>
<b>Emergency response</b>	Has Shire of Kent implemented an emergency telephone number? Do 90% of customers receive advice within one hour of reporting an emergency?		Good.	Community Directory published each year and sent out with rates notice. Contains emergency contacts.	<b>None</b>
<b>Responsiveness to Customer Complaints</b>	Are 90% of written customer complaints resolved within 21 days?		Largely adequate.	Customer Charter outlines complaints response policy, which is within 10 working days. While there are no records of complaints, the performance is reported to be within the standard.	<b>None</b>
<b>Clause 16 Terms and</b>	Have the Shire of Kent entered into agreements with customers to provide water services?		N/A	Contractor pumps out wet well every two years.	<b>None</b>

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
conditions of customer contracts	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 Kent have the relevant licences from the Department of Environment and are they operated in accordance with these licences?		Inadequate	One off registration required.	Shire to apply to DOE for registration.
Clause 18  Consumer Consultation	Have the Shire of Kent held a public meeting or advertised for written submissions prior to making major changes to the operation of the water service?		Largely adequate	Would happen, but nothing major constructed since late 1990's.	None
	Does the Shire of Kent 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	Does the Shire of Kent have a "plain English" Customer Service Charter?		Good		None

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
<b>Customer Service Charter</b>	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	2003 edition, due to be updated next year.	<b>Charter should be updated next year</b>
	Have any changes to the Charter been approved by the Authority?		Good	2006 update to be submitted to Authority when completed.	None
	How does the Shire of Kent make the Charter available to its Customers?		<b>Inadequate</b>	Not on display in Council foyer, but available on request.	<b>To be placed in foyer at Nyabing and Pingrup libraries</b>
	Does the Shire of Kent provide services that are consistent with the Charter?		Good	Lack of customer complaints and equipment breakdown evidence of this.	None
<b>Clause 20 Dispute Resolution</b>	Is there a system in place for recording, managing and resolving customer complaints?		<b>Inadequate</b>	Complaints are dealt with verbally. There are complaint procedures available, but there is no paper trail. Only 2 complaints in total to the Shire, so the verbal system works well for a small Shire.	<b>A Complaints Register should be set up and used for all complaints. This can be used to judge performance standards.</b>

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
	Are there officers designated to deal with complaints, and are they authorised to settle disputes, including monetary compensation where necessary?		Good	Senior staff are authorised to settle disputes and the CEO is authorised to approve monetary compensation up to a threshold amount. Higher figures must be approved by Council.	<b>None</b>
	Are Customers made aware that they can refer any dispute between themselves and the Shire of Kent to the Water Services Planning Branch of the Department of Water?		Good	Yes.	<b>None</b>
	Where complaints are not resolved within 21 days, is the Customer advised of alternative forms of redress?		Good	Yes. CEO, Council then Authority	<b>None</b>

## 9 Summary of Operational Audit Findings

On the whole, the SOK's compliance with licence conditions was good. The following sections details those issues that were identified in the audit as being non-conformant as well as providing some recommendations in regard to corrective action.

The auditor does not believe that compliance plans are required.

### 9.1 Asset Management System (Clause 6)

While there is a Maintenance Schedule detailed in the Asset Management Plan and there is evidence that maintenance is occurring, there is no written evidence detailing what level of maintenance has been carried out and when.

In SOK, the maintenance of the wastewater treatment system is not under the auspices of the Works Supervisor, but comes under the control of the Building Maintenance Manager, who is under the control of the Deputy CEO.

#### **Recommendation**

A maintenance recording system be set up and utilised.

Consideration should also be given to transferring the role of maintaining the wastewater treatment system to the Works Supervisor. This will ensure that all Shire maintenance involving external maintenance are carried out by the one team.

### 9.2 Technical Standards (Clause 8)

SOK have ceased to subscribe to the Government Gazette as they felt it was not getting read. However, the CEO receives updates of standards from government agencies via email.

#### **Recommendations**

Before embarking on major works on the system, the relevant departments, such as Water Corporation, Department of Environment, Health Department, etc, be consulted to ensure the latest standards are complied with.

Periodically check, via on-line access to the Government Gazette, to ensure that the latest technical standards are available for the provision of and the undertaking, maintenance and operation of Water Services.

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

The information required in Schedule 3 has not been filled in and submitted to the Authority. This was also a finding in the previous audit.

#### **Recommendations**

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

### **9.4 Obligations to public authorities and other Licensees (Clause 17)**

There was no evidence that the SOK had applied for one off registration with the Department of Environment.

#### **Recommendation**

SOK to immediately apply for one off registration with the Department of Environment.

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

The Customer Charter is not displayed in the foyer of the Shire Offices. It was reported that it was until recently, but had been inadvertently removed.

#### **Recommendation**

SOK to display the Customer Charter in the foyers of both Nyabing and Pingrup libraries, as well as replacing the missing copy in the Shire office.

### **9.6 Dispute Resolution (Clause 20)**

There is no filed system for recording, managing and resolving customer complaints. There does not appear to be many complaints and those that arise are referred to either the CEO or Deputy CEO for immediate attention. Should nobody appropriate be available, details are taken and left for either the CEO or Deputy CEO.

CEO reported that on one occasion he walked to the complainant's house and resolved the issue on the spot.



### **Recommendation**

While this system appears to work well for a small Shire, they have not met the requirement so the licence. Thus, a formalised complaints register should be set up. This will also help with performance assessment of the operation of the wastewater treatment system.

## 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, Mission Statement in AMP.	Good
b.	Have the life cycle costs been considered?	Yes, in AMP. Replacement and operational costs are in the AMP and Annual Budget.	Good
c.	Has the need for new assets been determined and full project evaluation processes been followed, including comparative assessment of non-asset solutions?	Yes, replacement costs and approximate timing are listed in Section 4 of the AMP.	Good
d.	Have documents recording relevant details on the asset been collected?	Yes, the AMP lists all the relevant details.	Good
e.	Do assets reflect the objectives identified in the asset creation/acquisition phase?	Yes, as evidenced by lack of complaints.	Good
f.	Are actual costs as predicted?	Costs were slightly greater than predicted, but this is probably due to the replacement costs of the pump in Pingrup that failed in April 2005.	Good

### Overall Comment

This is a small and simple system that is well run as indicated by the lack of complaints and breakdowns. In April 2005, one of the pumps in the Pingrup Pump House failed, possibly due to pumping excess water caused by heavy rainfall. No sewerage overflow occurred as the backup pump kicked in.

### 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?	The performance requirements are defined within the Asset Management Plan and in the Customer Charter.	Good
b.	Are the asset system objectives documented?	Located in AMP.	Good
c.	Have the opportunities and threats in the system environment been assessed?	Due diligence was undertaken in the preparation of the AMP.	Good
d.	Are regulatory obligations and statutory/regulatory requirements documented?	Yes, in AMP, although DOE one-off registration was not sighted.	Inadequate
e.	Is the asset meeting the level of service required by users of the service?	Yes, as indicated by no complaints.	Good
f.	Do the assets meet regulatory requirements?	DoE Registration required.	Inadequate

#### Overall Comment

This current Asset Management Plan provides good documentation of the asset system environment. One off registration with the Department of Environment is still required.

## 10.4 Asset Management System Analysis

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

Item No.	Test	Comments	Effectiveness
a.	Are the asset system components documented?	Yes, in detail in AMP.	Good
b.	Has the asset performance and condition been assessed?	Yes, in Asset Register in AMP.	Good
c.	Does the asset management plan include an asset register and plans of asset system components?	Asset Register in AMP, Plans located in Council chambers. Register to refer to plans in Council.	Largely adequate
d.	Does the register record asset type, location, material and an assessment of assets' physical/structural condition?	Yes	Good
e.	Are systems in place to assess asset and practice efficiency?	Maintenance register has not been created. Also, there is no formal complaints register to document complaints received.	Inadequate
f.	Assets assessed for capability and deficiencies of current assets to meet performance requirements?	System currently under capacity and no complaints, so performance is good.	Good
g.	Are practices covering operating rules and maintenance documented?	In AMP.	Good

Item No.	Test	Comments	Effectiveness
h.	Do maintenance plans cover preventative and corrective maintenance?	Yes, detailed in AMP.	Good
i.	Are actual assets and human resources appropriate for performance requirements?	Comprehensive listing in AMP.	Good
j.	Do operation and maintenance practices reflect performance targets?	Yes, as indicated by lack of complaints and breakdown in equipment.	Good
k.	Are costs measured and recorded?	Yes, in Annual Budget and Financial Plan in AMP.	Good
l.	Is the asset under-utilised?	It is, but it is a simple system so it doesn't cause inefficiencies.	Good
m.	Is the level of maintenance justified against replacement cost?	Maintenance costs are much lower than replacement costs.	Good
n.	Has the asset been inspected?	The assets are inspected regularly as part of the maintenance programme.	Good
o.	Is the assets' theoretical life known?	Yes, outlines in Asset register of AMP.	Good
p.	Does the assess management plan enable the prediction of asset deterioration and failure.	Yes.	Good
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 indicated by lack of complaints.	Good

**Overall Comment**

Other than the lack of maintenance register and the formal complaints register, the system is well run with an appropriate level of resourcing.

A maintenance register should be created and used, and a formal complaints register and system for responding to them should also be organised and used.

## 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?	Yes, was prepared as part of the AMP. The risks are minor due the small size and simplicity of the system and are more likely to involve environmental impact rather than human impact.	Good
b.	Has the probability and consequences of asset failure have been identified?	The probability of asset failure has not been identified. Asset failure would result in minor loss of service. Duty/Standby pump configuration reduces risk of system failure. Pump failure in April 2005 did not lead to failure as standby pumped kicked in.	Good
c.	Are appropriate contingency plans in place?	Funds are allocated in Financial Plan and budget for emergencies.	Good
d.	Is risk management practiced?	Council practices risk minimisation and this is also evident in the operation and maintenance plans produced in the AMP.	Good
e.	Where unacceptable risks have been identified have risk control measure been implemented?	Yes, there is a reserve fund and there is a plumber available on call.	Good
f.	Where events that may result in severe consequences have been identified have contingency plans been developed?	An emergency response plan has been prepared.	Good



**Overall Comment**

Risk levels have been assessed and adequate precautions, including financial, have been into place to deal with any likely issues. Due to the nature of the system, most impacts will be minor and environmental rather than human.

## 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, located in Annual Financial Statements and in AMP.	Good
b.	Does the financial plan cover the financial objectives and strategies and actions to achieve the objectives?	Yes	Good
c.	Does the financial plan identify the source of funds for the capital expenditure plan?	Yes, reserve funds, loan funds and sewerage rates.	Good
d.	Are the sources of funds for operation, maintenance and administration identified in the financial plan?	Yes, general rates, sewerage rates and Government subsidies.	Good
e.	Does the financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period?	Provides predications for the next 5 years. Likely to be stable as population and ratepayer base not increasing.	Good
f.	Does the financial plan provide for the operation and maintenance, administration and capital expenditure requirements of the scheme?	Yes.	Good

### Overall Comment

This area of the overall asset management system is operating at an adequate level for the existing and likely future operations of the service.

## 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, located in AMP and Annual Financial Statements.	Good
b.	Does the plan cover the issues to be addressed, the actions proposed, the centre of responsibilities, and deadline dates?	Assumed so. As assets get closer to needing to be replaced, these issues will be addressed.	Good
c.	Does the plan provide reasons for capital expenditure and timing of expenditure?	Not yet, but see above.	Good
d.	Is the capital expenditure plan consistent with the asset life and condition identified in the asset management plan?	Yes. See above.	Good

### Overall Comment

This area of the overall asset management system is operating at an adequate level for the existing and likely future operations of the service.

The first assets due for replacement are due in 2007. As this date gets closer, it would be expected that the preparation would be reflected in the capital expenditure plan.



## 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?	Latest AMP is dated September 2004. Good to review yearly and update as necessary.	<b>Good</b>
b.	Are asset management plans being reviewed at appropriate intervals?	Yes.	<b>Good</b>
c.	Are the asset management plans current?	Yes.	<b>Good</b>

### Overall Comment

This aspect of the asset management system is considered adequate. The Customer Charter and AMP should be reviewed each year at the same time as the preparation of the budget, and updates made as necessary. The Customer Charter is due for updating next year.

# 11 Summary of Asset Management Review Findings

## 11.1 Introduction

The 2005 Asset Management System audit is the third external assessment undertaken on SOK'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 SOK'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 SOK and the Shire's Community Directory lists emergency numbers.

## 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

The Shire does still need apply for a one off registration to the Department of Environment.

Assessment: Largely adequate to Good.

### 11.2.3 Asset Management System Analysis

The AMP was reviewed in September 2004 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.

Assessment: Good.

### 11.2.4 Risk Analysis and Contingency Planning

A risk assessment was undertaken in the preparation of the AMP. Due to the nature and size of the system, the impacts are more likely to be environmental rather than human. 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 SOK's asset base for a four-year time horizon with a population that is expected to remain constant over that period. The annual budget outlines the income and expenditure for the wastewater treatment system.

Assessment: Good.

### 11.2.6 Capital Expenditure Plan

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

#### Recommendation

As the assets come close to needing replacement, it is expected that these will be included in the capital expenditure planning.

Assessment: 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. They should be updated within every 36 months, thus the Charter is due to be updated next year.

Assessment: Good.



## 12 References

- Asset Management Plan for the Shire of Kent Sewerage Scheme Review
- Shire of Kent Annual Financial Statements 2004/2005
- Independent Auditor's Report – Extract from above
- Shire of Kent Annual Report 2004/2005
- Shire of Kent 2005/2006 "Budget At A Glance"
- Excerpt from Customer Charter
- 2003 Operational Audit and Asset Management Review 2003 – Aquaterra Consulting
- Kent (Nyabing/Pingrup) 2004/2005 Community Directory