
Shire of Lake Grace

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

Final Report



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Executive Summary

Background

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

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

The Lake Grace sewerage system consists of approximately 6150 metres of sewerage reticulation, an Imhoff tank, which pretreats the effluent prior to its discharge to the primary pond, a sludge drying bed, two treatment lagoons, three pump stations and a chlorine injection system as part of the treated effluent reticulation system which irrigates the sporting 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 SOLG to maintain those quality and performance standards that are referred to in SOLG's Operating Licence.

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

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

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

The *Water Services Licensing Act 1995* also requires that SOLG provide for and maintain an asset management system. The system must set out the measures to be taken by SOLG for the proper maintenance of its assets and for the undertaking, maintenance and monitoring of its water services works. The Act further requires SOLG 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 SOLG 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 SOLG 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, SOLG has responded positively to the recommendations made, with most of the previous recommendations having been addressed. The Operational Audit Risk Assessment identified the key risks and hence areas the auditors needed to concentrate their efforts on during the audit. The audit identified no elements of high inherent risk. The results of the assessment of the relevant standards, outputs and outcomes are summarised in the following table.

Four non-compliances were found, with three of these being in Clause 6 (Asset Management System), and the other being for ceasing to receive the Government Gazette.

Summary Level of Compliance

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

Clause/Schedule	Standard	Compliance Scale
Clause 16	Terms and conditions of customer contracts	Good
Clause 17	Obligations to public authorities and other Licensees	Good
Clause 18	Consumer Consultation	Largely adequate
Clause 19	Customer Service Charter	Good
Clause 20	Dispute Resolution	Largely adequate to 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 2005 Asset Management System audit is the third external assessment undertaken on SOLG's asset management system. The purpose of this review was to examine the Asset Management System in light of the recommendations made in the audit of 2003.

The Asset Management Plan has not been updated since 1999 and is thus out of date. As a result of this there has been no review of the entire wastewater treatment system, including financial and capital expenditure planning, undertaken.

This is a serious short coming and the Shire must update the AMP as soon as possible. As part of this, a maintenance schedule and register needs to be developed, preferably in conjunction with the Works Manager, and implemented. A regular maintenance regime needs to be implemented to ensure the customers in the Shire of Lake Grace continue to receive the high level of service they currently do and to ensure the Shire receives maximum value from its assets.

The Asset Management System that was prepared in 1999 was adequate for the size of the SOLG's wastewater treatment system because the system is small and simple. The SOLG are fortunate that the system is simple and robust enough not to have had any failures, as

indicated by the lack of customer complaints and breakdowns. This is especially so given the fact that no regular maintenance is undertaken.

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	Inadequate
Environmental Analysis	Environmental analysis examines the asset system environment and assesses all external factors affecting the asset system.	Largely adequate
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>	Inadequate
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>	Largely adequate
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.	Largely adequate
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.	Inadequate
Review	Review of the asset management plan assists to ensure the effective development and operation of asset management plans.	Inadequate

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 Lake Grace is achieving a good level of compliance with the requirements of the Operating Licence. This report has identified four instances (mainly with regard to Asset Management Systems) in which SOLG's full compliance with Licence requirements needs to be improved.

The review revealed that the AMP is way out of date and that maintenance is done on a reactive, rather than proactive basis. Capital expenditure planning has not been done since 1999 although there is a sewerage reserve fund which gets added to annually. Performance of the wastewater treatment system has been good, which indicates an appropriate level of assets for the customers.

The Asset Management Plan needs immediate attention, with particular reference given to the development of a maintenance schedule and register. This is the main area of non-compliance and once the AMP is updated and approved by the Authority, the licence compliance will be significantly improved.

Mark Warner

Lead Auditor

1 Introduction

In August 2005 SMEC Australia was awarded a consultancy by SOLG, 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 SOLG to maintain those quality and performance standards referred to in the Licence, and
- the effectiveness of processes implemented by SOLG 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 SOLG and the Authority, Mark Warner undertook the on-site component of the audit and review on 6th 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 SOLG to maintain those quality and performance standards which are referred to in SOLG's Operating Licence.

Specifically, the audit considered the systems and effectiveness of processes used by SOLG 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 SOLG provide for and maintain an asset management system. The system must set out the measures to be taken by SOLG 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 SOLG 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 SOLG 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 Lake Grace’* 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 SOLG’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);

- SOLG’s Customer Service Charter;
- relevant Policies and Procedures established by SOLG 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;

- SOLG'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 SOLG 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 SOLG representatives participating in the audit;

Operational Audit ONLY

- Where significant non-compliance has been detected and SOLG 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 SOLG Representatives

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

Maurice Walsh	Environmental Health Officer (EHO)
Chris Jackson	CEO
Leonie McIllree	Deputy CEO
Gary Moulds	Works Manager
Jeanette Bennett	Executive Support Office
Danielle Robertson	Senior Finance Officer

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	SOLG to inform OWR of October 2002 overflow event.	Not done. EHO to chase up. Assessment: Inadequate . Closeout not recommended.
2	Future Schedule 3 forms to be submitted to OWR within 30 days of the end of the financial year.	Done. Assessment: Good . Closeout recommended.
3	SOLG to apply for one-off registration with DoE for wastewater treatment plant.	Done. Assessment: Good . Closeout recommended.
4	Customer Service Charter should be reviewed and updated if required.	Done. Update in 2003. Assessment: Good . Closeout recommended.
5	SOLG to display Customer Charter in its foyer and Customers to be notified of its availability on an annual basis.	Done. Assessment: Good . Closeout recommended.
6	AMP to be reviewed annually at same time as Annual Budget.	Not done. Assessment: Inadequate . Closeout not recommended.
7	A Maintenance Register should be established and kept up to date by appropriate staff.	Done by previous Works Manager. No Works Manager at the moment. Inspections are occurring, but there is no regular maintenance. Assessment: Largely adequate . Closeout not recommended.
8	Pump station No. 3 requires an assessment of its life expectancy, and the AMP update accordingly.	Not done. Assessment: Inadequate . Closeout not recommended.
9	Asset Register in AMP to be improved.	Not done. Assessment: Inadequate . Closeout not recommended.

Item No.	Recommendation	Action Taken
10	Capital Expenditure Plan in AMP should be updated to reflect Annual Budget.	Not done. Assessment: Inadequate . Closeout not 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 Lake Grace 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 Lake Grace provides its water services?	Maurice Walsh	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 Lake Grace?	Maurice Walsh	Largely adequate	1999 version, out of date.	AMP needs to be immediately updated
	Have the details of the system, and any changes, been forwarded to the Authority?		Inadequate	No	Updated and forwarded immediately
	Does the system set out the measures to be taken by the Shire of Lake Grace for the proper maintenance of its assets and the undertaking, maintenance and operation of water service works?		Largely adequate	Out of date, but a maintenance schedule is listed in the AMP	Update immediately
	Has the information on maintenance activities been collected and recorded in accordance with documented procedures?		Inadequate	No regular maintenance done	A maintenance schedule and register needs to be developed, approved and implemented.
	Are the procedures understood by staff?		Inadequate	No one is aware of what regular maintenance is required.	As above

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
Clause 8 Technical Standards	Does the Shire of Lake Grace 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?	Maurice Walsh	Largely adequate	Not sure, as AMP hasn't been updated. However, no new additions have been added to the existing system.	None
	Is the Government Gazette readily available and reviewed?		Inadequate	SOLG has ceased to subscribe to the Government Gazette as it was found that it was not being read.	None, as SOLG remain up to date via email notification.
Clause 9 Industry Standards	Does the Shire of Lake Grace observe the <i>Severage Code of Australia WSA 02 1999</i> when designing/constructing works?	Maurice Walsh	Largely adequate	They would, if they had designed or constructed any new works.	None
Clause 10 Accounts	Are the Shire of Lake Grace's accounts consistent with the requirements of the <i>Local Government Act 1995</i> ?	Maurice Walsh	Good.		None

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
	Does the Shire of Lake Grace 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 letter of receipt from Dept of Local Government and Regional Development.	None
Clause 11 Prices or charges	Do the prices and charges set by the Shire of Lake Grace comply with the <i>Health Act 1911</i> and the <i>Local Government Act 1995</i> ?	Maurice Walsh	Good	Rates set as per the requirements in the Local Government Act.	None
Clause 12 Methods or principles to be applied in the	How does the Shire of Lake Grace ensure that water services provided on its behalf comply with the terms and conditions of the Licence and relevant legislation?	Maurice Walsh	Good	Only Council proved wastewater services.	None

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
provision of Water Services	How does the Shire of Lake Grace ensure that its water services are available for connection on request to any land within the Operating Area?		Good	Capacity review, etc, done through Building Licence application process. Some lots on the outskirts of town may not be serviced by sewer, therefore won't be connected to deep sewerage.	None
	How does the Shire of Lake Grace ensure that the services it supplies are safe, reliable and financially viable?		Good	Safe: Site fenced off. Reliable: No failure or complaints to date indicates reliability. Financially viable: income and expenditure are allowed for in the budget.	None
Clause 14 Specific information to be provided	Has the Shire of Lake Grace informed the Authority within five days of any overflows from wastewater/sewerage infrastructure?	Maurice Walsh	Largely adequate	No overflows since last audit.	None
	If the Authority requested any detailed reports on overflow events, have they been provided within 14 days of the request?		N/A		

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
	Has the Shire of Lake Grace provided the information in Schedule 3 to the Authority within 30 days of the end of each financial year?		Good.	EHO has provided the latest Schedule 3 within the appropriate time frame.	None
Clause 15/Schedule 2 Performance Standards	Are customers provided with non-potable water annually notified that the water supplied is not potable?	Maurice Walsh	Good	Treated effluent used to irrigate sporting field. Warning signs are posted around the ground about the use of treated effluent.	Recommend that a notification about the use of treated effluent on the sports field be sent out with rates notice
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	No blockages reported.	None
Emergency response	Has Shire of Lake Grace implemented an emergency telephone number? Do 90% of customers receive advice within one hour of reporting an emergency?		Good	Located in Customer Charter. Assume so, but no emergencies have been reported.	None

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
Responsiveness to Customer Complaints	Are 90% of written customer complaints resolved within 21 days?		Largely adequate	Would be so, but no complaints have been received.	None
Clause 16 Terms and conditions of customer contracts	Have the Shire of Lake Grace entered into agreements with customers to provide water services?	Maurice Walsh	Good	No.	None
	If so, have any of the terms and conditions been modified without written approval from the Authority?		N/A		
Clause 17 Obligations to public authorities and other Licensees	Do the wastewater treatment plants operated by the Shire of Lake Grace have the relevant licences from the Department of Environment and are they operated in accordance with these licences?	Maurice Walsh	Good	One off registration was received on 4/3/04.	None
Clause 18 Consumer Consultation	Have the Shire of Lake Grace held a public meeting or advertised for written submissions prior to making major changes to the operation of the water service?	Maurice Walsh	Largely adequate	No changes undertaken recently, but public meetings would be held.	None

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
	Does the Shire of Lake Grace 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> ?		Largely adequate	No changes undertaken recently, but all questions are allowed during question time.	None
Clause 19 Customer Service Charter	Does the Shire of Lake Grace have a “plain English” Customer Service Charter?	Maurice Walsh	Good.		None
	Does the Charter address all of the service issues reasonably likely to be of concern to its Customers?		Good	All concerns and issues are laid out in the Charter.	None
	Has the Charter been reviewed within the last three years?		Largely adequate	Reviewed July 2003, due for an update in 2006.	Update Customer Charter in 2006
	Have any changes to the Charter been approved by the Authority?		Good	Approval sighted.	None
	How does the Shire of Lake Grace make the Charter available to its Customers?		Good	Available in front foyer and by request.	None

Operating Licence Clause or Schedule	Specific Compliance Issues/Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
	Does the Shire of Lake Grace provide services that are consistent with the Charter?		Good	No complaints are evidence that this is the case.	None
Clause 20 Dispute Resolution	Is there a system in place for recording, managing and resolving customer complaints?	Maurice Walsh	Good	Complaints form located at front desk.	None
	Are there officers designated to deal with complaints, and are they authorised to settle disputes, including monetary compensation where necessary?		Good	Senior staff are available to deal with the complaints.	None
	Are Customers made aware that they can refer any dispute between themselves and the Shire of Lake Grace to the Water Services Planning Branch of the Department of Water?		Largely adequate	If customers not happy with service received, they would be advised to contact ERA.	More detailed reference to be included in Customer Charter
	Where complaints are not resolved within 21 days, is the Customer advised of alternative forms of redress?		Largely adequate	Would be so, but no complaints have been received.	None

9 Summary of Operational Audit Findings

Overall, the SOLG's compliance with licence conditions was mainly good, with Clause 6 (Asset Management System) accounting for three of the four non-compliances. The following section details these issues as well as providing some recommendations in regard to corrective action.

The auditor does not believe that compliance plans are required.

9.1 Asset Management System (Clause 6)

The AMP has not been updated since it was produced in 1999, there is no regular maintenance done on the sewerage and wastewater treatment system and, as a result, there is no knowledge amongst the staff as to what procedures are required for operation and maintenance.

Recommendation

The Asset Management Plan must be updated immediately. As part of this, an Asset Maintenance Plan and Register must be developed, usually by the EHO in conjunction with the Works Manager, and implemented. Once finalised, all appropriate staff should be notified of the existence of the AMP and of the proper procedures for operations, maintenance and administration of the wastewater treatment system.

9.2 Technical Standards (Clause 8)

SOLG 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.

The following issues were regarded as 'Largely adequate'.

9.3 Asset Management System (Clause 6)

The Asset Management Plan sighted was the July 1999 edition.

Recommendation

The AMP is out of date and must be updated immediately.

9.4 Technical Standards (Clause 8), Industry Standards (Clause 9)

Not sure if SOLG comply with appropriate technical standards as the AMP has not been updated since 1999. However, no new additions have been made to the existing system.

Recommendation

The SOLG to update the AMP and to ensure adherence to the appropriate technical standards, as per the clause.

9.5 Specific Information to be Provided (Clause 14)

There have been no overflows since the last audit, so it is presumed that notification would occur within the specified time, should an overflow occur.

9.6 Performance Standards (Clause 15) – Responsiveness to Customer Complaints

There have been no complaints since the last audit, so it is presumed that complaints would be dealt with within the specified time.

9.7 Consumer Consultation (Clause 18)

No changes undertaken recently, but public meetings would be held should the need arise.

9.8 Customer Service Charter (Clause 19)

The Charter was reviewed in 2003, so is due for a review and update in 2006.

9.9 Dispute Resolution (Clause 20)

The reference to alternative dispute resolution is not very detailed.

Recommendation

As part of the Charter upgrade, a more detailed reference to alternative dispute resolution options should be included.

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?	Not since 1999 AMP.	Largely adequate
b.	Have the life cycle costs been considered?	Operation and maintenance costs are contained in the Annual Budget. There is also a sewerage reserve for replacement of major assets.	Good
c.	Has the need for new assets been determined and full project evaluation processes been followed, including comparative assessment of non-asset solutions?	No, as AMP is out of date and hasn't been updated since 1999.	Inadequate
d.	Have documents recording relevant details on the asset been collected?	Not since 1999 AMP.	Inadequate
e.	Do assets reflect the objectives identified in the asset creation/acquisition phase?	They do for the 1999 AMP, but may not reflect current requirements.	Inadequate
f.	Are actual costs as predicted?	Costs are slightly greater than expected.	Good

Overall Comment

AMP was prepared in July 1999 and has not been updated since. Currently there have been no breakdowns or complaints, so this would indicate that level of assets are adequate for the service required.

AMP to be updated immediately, including the Asset Register.

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?	In 1999 AMP	Inadequate
b.	Are the asset system objectives documented?	In 1999 AMP	Inadequate
c.	Have the opportunities and threats in the system environment been assessed?	In 1999 AMP	Inadequate
d.	Are regulatory obligations and statutory/regulatory requirements documented?	Yes, DoE one off registration was received in 2004.	Good
e.	Is the asset meeting the level of service required by users of the service?	Lack of complaints would indicate this to be the case.	Good
f.	Do the assets meet regulatory requirements?	Yes, meets DoE requirements, Health and Occupational Health and Safety and all satisfied.	Good

Overall Comment

Lack of complaints indicates that the level of service is adequate. AMP needs to be updated.

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?	In 1999 AMP	Inadequate
b.	Has the asset performance and condition been assessed?	In 1999 AMP. Out of date.	Inadequate
c.	Does the asset management plan include an asset register and plans of asset system components?	In 1999 AMP. Out of date.	Inadequate
d.	Does the register record asset type, location, material and an assessment of assets' physical/structural condition?	In 1999 AMP. Out of date.	Inadequate
e.	Are systems in place to assess asset and practice efficiency?	There is a formalised complaints process set up.	Good
f.	Assets assessed for capability and deficiencies of current assets to meet performance requirements?	System is running below capacity with no complaints.	Good

Item No.	Test	Comments	Effectiveness
g.	Are practices covering operating rules and maintenance documented?	In 1999 AMP. Out of date.	Inadequate
h.	Do maintenance plans cover preventative and corrective maintenance?	In 1999 AMP. Out of date.	Largely adequate
i.	Are actual assets and human resources appropriate for performance requirements?	CEO, EHO and acting Works Manager. Appropriate. Currently advertising for permanent Works Manager.	Good
j.	Do operation and maintenance practices reflect performance targets?	No regular maintenance undertaken.	Inadequate
k.	Are costs measured and recorded?	In annual budget.	Good
l.	Is the asset under-utilised?	Yes, but due to small size of system this is not a problem.	Good
m.	Is the level of maintenance justified against replacement cost?	Would assume so.	Largely adequate
n.	Has the asset been inspected?	Yes, EHO inspects treatment plant on a semi-regular basis.	Inadequate
o.	Is the assets' theoretical life known?	Yes, as per 1999 AMP which is out of date.	Inadequate

Item No.	Test	Comments	Effectiveness
p.	Does the assess management plan enable the prediction of asset deterioration and failure.	Yes, as per 1999 AMP which is out of date.	Inadequate
q.	Do the maintenance plans and operational plans relate to what is required to achieve the levels of service required of the system?	No regular maintenance is undertaken, but no customer complaints indicate the system is working effectively.	Inadequate

Overall Comment

Due to AMP being out of date, this part of the asset management system is quite inadequate. Also, no regular preventative maintenance is conducted, only reactive. It is fortunate that the system is robust enough to not have suffered any failures.

The Asset Management Plan must be updated, including the asset register, and a maintenance schedule and register must be prepared and implemented.

The operational costs, however, are covered in the annual budget.

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?	In 1999 AMP. Out of date.	Inadequate
b.	Has the probability and consequences of asset failure have been identified?	No.	Inadequate
c.	Are appropriate contingency plans in place?	There is a sewerage reserve fund and there is a local plumber on call.	Good
d.	Is risk management practiced?	Would assume so, but no evidence. No regular maintenance undertaken.	Inadequate
e.	Where unacceptable risks have been identified have risk control measure been implemented?	In 1999 AMP. Out of date.	Inadequate
f.	Where events that may result in severe consequences have been identified have contingency plans been developed?	In 1999 AMP. Out of date.	Inadequate

Overall Comment

While risk assessment and analysis was done for the preparation of the 1999 AMP, there has been no analysis done since then. While having the 1999 AMP is better than nothing, it has not been reviewed or updated. Risk analysis should be updated as part of the updated AMP.

There is a sewerage reserve fund which appears in the annual budget and gets regular inputs of cash.

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, annual budget has been sighted. Revenue and expenditure are outlined.	Good
b.	Does the financial plan cover the financial objectives and strategies and actions to achieve the objectives?	In 1999 AMP, out of date.	Inadequate
c.	Does the financial plan identify the source of funds for the capital expenditure plan?	Yes, rate revenue. In 1999 AMP.	Largely adequate
d.	Are the sources of funds for operation, maintenance and administration identified in the financial plan?	Yes, rate funding. In 1999 AMP.	Largely adequate
e.	Does the financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period?	There is a prediction in the 1999 AMP, but this needs review.	Inadequate
f.	Does the financial plan provide for the operation and maintenance, administration and capital expenditure requirements of the scheme?	Operations and maintenance are covered in the annual budget and capital expenditure would be covered in the Principal Activities Plan, but there was no reference made to any sewerage works.	Inadequate

Overall Comment

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

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, in 1999 AMP. Out of date.	Inadequate
b.	Does the plan cover the issues to be addressed, the actions proposed, the centre of responsibilities, and deadline dates?	Yes, in 1999 AMP. Out of date.	Inadequate
c.	Does the plan provide reasons for capital expenditure and timing of expenditure?	Yes, in 1999 AMP. Out of date.	Inadequate
d.	Is the capital expenditure plan consistent with the asset life and condition identified in the asset management plan?	Yes, in 1999 AMP. Out of date.	Inadequate

Overall Comment

Capital expenditure planning was done in the 1999 AMP and is out of date. Its last projections were for the year 2002.

Should be updated as part of the AMP review.

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?	No.	Inadequate
b.	Are asset management plans being reviewed at appropriate intervals?	No.	Inadequate
c.	Are the asset management plans current?	No.	Inadequate

Overall Comment

AMP was last prepared in July 1999 and is now out of date. Urgently required to prepare and new one and submit it to the Authority for approval.

Customer Charter is current, having been prepared in 2003. It is due for a review in 2006.

11 Summary of Asset Management Review Findings

11.1 Introduction

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

The Asset Management Plan has not been updated since 1999 and is thus out of date. As a result of this there has been no review of the entire wastewater treatment system, including financial and capital expenditure planning, undertaken.

This is a serious short coming and the Shire must update the AMP as soon as possible. As part of this, a maintenance schedule and register needs to be developed, preferably in conjunction with the Works Manager, and implemented. A regular maintenance regime needs to be implemented to ensure the customers in the Shire of Lake Grace continue to receive the high level of service they currently do and to ensure the Shire receives maximum value from its assets.

The Asset Management System that was prepared in 1999 was adequate for the size of the SOLG's wastewater treatment system because the system is small and simple. The SOLG are fortunate that the system is simple and robust enough not to have had any failures, as indicated by the lack of customer complaints and breakdowns. This is especially so given the fact that no regular maintenance is undertaken.

11.2 Specific Findings and Recommendations from Current Review

11.2.1 Asset Planning/Creation/Acquisition

The AMP was prepared in 1999 and has not been updated since. Currently there have been no breakdowns or complaints which would indicate that the level of assets is adequate for the service required.

However, as the AMP has not been updated recently, there has been no consideration given to whether new assets are needed or how the strategic objectives for the wastewater treatment system may have changed.

Recommendation

The Asset Management Plan needs to be updated immediately and forwarded onto the Authority for approval.

Assessment: Inadequate.

11.2.2 Environmental Analysis

The performance requirements, opportunities and threats to the system and asset system objectives were all assessed during the preparation of the original AMP, but this is out of date and they all may have changed.

However, one off registration with DoE was received in 2004 and a lack of complaints would indicate that the assets are meeting the required level of service.

Recommendation

The AMP should be updated immediately including undertaking an environmental analysis.

Assessment: Largely adequate.

11.2.3 Asset Management System Analysis

Due to the AMP being out of date, this part of the asset management system is quite inadequate.

This is a small, simple system that requires minimal human input. It works well and is maintained appropriately as indicated by lack of complaints and failures. No regular preventative maintenance is conducted, only reactive. It is fortunate that the system is robust enough to not have suffered any failures.

However, operational costs are covered in the annual budget.

Recommendations

The Asset Management Plan must be updated, including the asset register, and a maintenance schedule and register must be prepared and implemented. The Maintenance Schedule should be developed in conjunction with the Works Manager to ensure that it is appropriate for the system.

Assessment: Inadequate.

11.2.4 Risk Analysis and Contingency Planning

While risk assessment and analysis was done for the preparation of the 1999 AMP, there has been no analysis done since then. While having the 1999 AMP is better than nothing, it has not been reviewed or updated. Risk analysis should be updated as part of the updated AMP.

The system is minor and the ponds are located such that any catastrophic failure will result in local, minor environmental damage rather than human harm. Contingency measures were developed in the 1999 AMP, including financial, and are in place to deal with any contingencies.

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

Assessment: Largely adequate.

11.2.5 Financial Planning

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

Recommendation

As part of the AMP review, the financial planning needs to be updated.

Assessment: Largely adequate.

11.2.6 Capital Expenditure Plan

Capital expenditure planning was done in the 1999 AMP and is out of date. Its last projections were for the year 2002.

Recommendation

As part of the AMP review, the capital expenditure planning needs to be updated. A review of existing asset life, capital replacement and asset acquisition needs to be undertaken to determine when future expenditure is likely to be required.

Assessment: Inadequate.

11.2.7 Review

AMP was last prepared in July 1999 and is now out of date. Urgently required to prepare and new one and submit it to the Authority for approval.

Customer Charter is current, having been prepared in 2003. It is due for a review in 2006.

Recommendation

The AMP should be reviewed and updated as soon as possible.

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: Inadequate.

12 References

- Operational Audit and Asset Management Review 2003– Aquaterra Consulting
- Shire of Lake Grace Customer Services Charter July 2003
- Letter from DoLGRD re: receipt of Annual Budget
- Shire of Lake Grace Budget Summary 2005/2006
- Shire of Lake Grace Plan of Principal Activities 2003/04 – 2006/07
- Shire of Lake Grace Adopted Budget 2005/06
- Asset Management Plan July 1999