
Shire of Morawa
2005 Operational Audit and
Asset Management System Review

Final Report

Shire of Morawa 2005 Operational Audit & Asset System Review
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Report for: **Shire of Morawa**

PREPARATION, REVIEW AND AUTHORISATION

Revision #	Date	Prepared by	Reviewed by	Approved for Issue by
1	7/12/05	Naomi Hill	Mark Warner	Mark Warner
2	14/2/06	Naomi Hill		Mark Warner

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SMEC Holdings Limited

Level 6, 12 St Georges Terrace

Perth WA 6000

Tel: 08 9323 5935

Fax: 08 9323 5901

Email: naomi.hill@smec.com.au

www.smec.com.au

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Executive Summary

Background

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

The Morawa sewerage system consists of 6,300 metres of sewerage reticulation, a single pumping station with an oxidation and irrigation pond. The sewerage scheme services 253 properties. The volume of wastewater treated is approximately 65,000 kL/annum.

In accordance with Section 37 (1) of the *Water Services Licensing Act 1995*, operational audits are required to be undertaken not less than once in every 24 month period, or such longer periods allowed for by the Authority. The primary objective of this audit is to determine the effectiveness of measures taken by the Shire of Morawa to maintain those quality and performance standards that are referred to in the Shire of Morawa's Operating Licence.

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

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

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

Objectives and Scope of Audit and Review

The scope of the operational audit was to assess the Shire of Morawa's systems and effectiveness of processes used to ensure compliance with the standards, outputs and outcomes which are:

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

The scope of the asset management review was to provide an opinion to the Authority on whether the Shire of Morawa has in place the appropriate systems for the planning, construction, operation and maintenance of its assets. The review examined:

- the adequacy of the asset management system by considering the outputs of the system, such as the operations and maintenance plans, asset registers and financial plans,
- the effectiveness of the asset management system by considering the systems established for the planning, construction, operation and maintenance of works,
- the identification, development and implementation of strategic initiatives to improve the effectiveness of asset management, and
- the Shire of Morawa's response to the recommendations made in the previous reviews.

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

Time Frame of the Audit and Review

The audit and review covered the period of 1st December 2002 to 30th November 2005. It is noted that the previous audit covered the period of 1st November 1999 to 31st December 2002.

Overview of Compliance Performance

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.

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

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

Clause	Standard	Compliance
Clause 2(b)	Operating Area Schedule	Excellent
Clause 6	Asset Management	Inadequate
Clause 8	Technical Standards	N/A
Clause 9	Industry Standards	Good
Clause 10	Accounts	Excellent
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

Shire of Morawa 2005 Operational Audit & Asset System Review

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

Excellent:

Exceeds requirements

Good:

Meets requirements

Largely Adequate:

Meets requirements – improvement suggested

Inadequate:

Does not meet the requirement

N/A:

Not applicable

Operational Audit Conclusion

The 2005 Asset Management System audit is the third external assessment undertaken on Shire of Morawa'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, there has been no review of the entire wastewater treatment system, including financial and capital expenditure planning.

This is a serious short coming and the Shire must update the AMP as soon as possible. As part of this, the 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 Morawa 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 Shire of Morawa's wastewater treatment system because the system is small and simple. The Shire of Morawa is 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 documented.

Overview of Asset Management System Review

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

Asset Management System Review Conclusion

The 2005 Asset Management System audit is the third external assessment undertaken on Shire of Morawa'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, there has been no review of the entire wastewater treatment system, including financial and capital expenditure planning.

This is a serious short coming and the Shire must update the AMP as soon as possible. The Asset Management System that was prepared in 1999 was adequate for the size of the Shire of Morawa's wastewater treatment system because the system is small and simple. The Shire of Morawa is 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 documented.

SUMMARY OF SYSTEM EFFECTIVENESS

Activity	Description	Effectiveness Scale
Asset Planning/Creation /Acquisition	Asset creation means the provision or improvement of an asset where the outlay can be expected to provide benefits beyond the year of outlay.	Largely adequate
Environmental Analysis	Environmental analysis examines the asset system environment and assesses all external factors affecting the asset system.	Good
Asset System Analysis	Asset system analysis examines and documents the system and process for its effective operations. Operation Plans document the knowledge of staff in the operation of assets. 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 included examination of the asset register.	Largely adequate to good
Risk Analysis and Contingency Planning	Risk analysis involves the identification of risks and management to reduce the level of risk. Contingency plans document the steps to deal with an unexpected failure of a process, procedure or the asset management system itself.	Inadequate
Financial Planning	The financial planning component of the asset management plan brings together the financial elements of the scheme to ensure its financial viability over the long term.	Good
Capital Expenditure Planning	The capital expenditure plan provides a schedule of new works, rehabilitation and replacement works, together with estimated annual expenditure on each over the next five or more years.	Largely Adequate
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 Morawa is achieving a good level of compliance with the requirements of the Operating Licence. This report has identified three instances (mainly with regard to Asset Management Systems) in which Shire of Morawa's compliance with Licence requirements may be improved.

The review revealed that the AMP is out of date and that, other than regular pump servicing, 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 asset register and 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.

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

Naomi Hill
Auditor

1 Introduction

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

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

Following acceptance of the Audit and Review Plan by the Shire of Morawa and the Authority, Naomi Hill undertook the on-site component of the audit and review on the 1st December 2005.

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

2 Objectives and Scope

2.1 Operational Audit

In accordance with Section 37 (1) of the *Water Services Licensing Act 1995* operational audits are required to be undertaken not less than once in every 24 month period, or such longer periods allowed for by the Authority.

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

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

2.2 Asset Management System Review

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

This review provides an opinion to the Authority on whether the Shire of Morawa 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; and
- the Shire of Morawa's response to the recommendations made in previous reviews.

3 Risk Assessment

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

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

4 Methodology

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

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

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

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

4.1 Task 1 - Risk Assessment

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

4.2 Operational Audit

Specific tasks undertaken included:

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

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

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

4.3 Asset Management System Review

Specific tasks undertaken included:

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

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

4.4 Compliance Key

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

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

In cases of non-compliance or where the auditor considers there to be action required (a rating of (c) to (d)), then a comment has been provided on actions required.

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

5 Period Covered by the Audit/Review

The brief required the audit/review to cover the period from 1st December 2002 to 30th November 2005, as required by the Scope of Works. It was noted that the previous audit undertaken on the Shire of Morawa was for the period 1st November 1999 to 31st December 2002.

On site activities were conducted on the 1st December 2005.

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

6 Staff Resources

6.1 Shire of Morawa Representatives

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

David Williams	Environment Health Officer (EHO)
Paul Buiist	Works Supervisor
CEO	Gavin Treasure

6.2 Audit and Review Team

The Team comprised:

Mark Warner	Lead Auditor
Naomi Hill	Auditor

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

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

7 Review of Previous Audit Recommendations

SMEC's Operational Audit and Asset Management System Review – May 2003 was reviewed and all recommendations and non-compliance issues were discussed during the audit meeting. The Shire of Morawa has not assessed the audit recommendations. This can be attributed to the EHO changeover. All outstanding actions have been amalgamated into this audit report.

8 Operational Audit – Specific Compliance Issues Examined

8.1 Compliance Key

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

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

8.2 Shire of Morawa 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 Morawa provides its water services?	David Williams (EH Officer)	Excellent	Yes. Sighted License agreement. OWR-OA-059 (B): MORAWA The Shire of Morawa utilise the following Plan Numbers as the primary reference to the Operating Area in which it provides water services.	None
Clause 6 Asset Management System	Is there an Asset Management System in place for the water service assets of the Shire of Morawa?	David Williams	Inadequate	Yes. Morawa Sewerage Scheme Asset Management Plan (1999).	Review and update the AMP.
	Have the details of the system, and any changes, been forwarded to the Authority?	David Williams	Inadequate	No changes have occurred in this auditing period.	Once the AMP has been reviewed and updated, forward AMP to the Authority.
	Does the system set out the measures to be taken by the Shire of Morawa for the proper maintenance of its assets and the undertaking, maintenance and operation of water service works?	David Williams	Inadequate	Yes. This has been identified in the AMP, however maintenance crews have not documented nor have they updated the schedule.	Update schedule and document all maintenance and works conducted.
	Has the information on maintenance activities been collected and recorded in accordance with documented procedures?	David Williams	Largely adequate	Maintenance work is undertaken, but there is no record of it.	Update schedule and document all maintenance, repairs and works conducted.
	Are the procedures understood by staff?	David Williams and Paul Buiist	Good	Yes. Maintenance/incident book well maintained and had a comprehensive understanding of the system and maintenance schedule.	None.
Clause 8	Does the Shire of Morawa comply with the technical standards for the provision of and	David Williams	N/A	N/A	None

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Technical Standards	the undertaking, maintenance and operation of Water Services works as published in the Government Gazette?				
	Is the Government Gazette readily available and reviewed?	David Williams	N/A	N/A	None
Clause 9 Industry Standards	Does the Shire of Morawa observe the <i>Severage Code of Australia WSA 02 1999</i> when designing/constructing works?	David Williams	Good	No such works have been undertaken during the Audit Period.	None.
Clause 10 Accounts	Are the Shire of Morawa's accounts consistent with the requirements of the <i>Local Government Act 1995</i> ?	David Williams	Excellent	Yes. Sighted the Shire of Morawa's Budget, operating statement for 2004 and Statement of Cash Flows The independent Audit Report prepared by Haines Norton Accountants stated that Financial Statements were prepared in accordance with the requirements of the Local Government Act (1995).	None.
	Does the Shire of Morawa 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?	David Williams	Good	Yes. Sighted Haines Norton Audit.	None.
Clause 11 Prices or charges	Do the prices and charges set by the Shire of Morawa comply with the <i>Health Act 1911</i> and the <i>Local Government Act 1995</i> ?	David Williams	Good	The independent Audit Report prepared by Haines Norton stated that the Shire of Morawa did comply with all aspects of the requirements of the <i>Local Government Act</i> and <i>Health Act 1911</i> .	None.
Clause 12 Methods or principles to be applied in the provision of Water	How does the Shire of Morawa ensure that water services provided on its behalf comply with the terms and conditions of the Licence and relevant legislation?	David Williams	Good	The process of connecting to the Shire of Morawa's services has been incorporated into the Customer Service Charter.	None.

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	How does the Shire of Morawa ensure that its water services are available for connection on request to any land within the Operating Area?	David Williams	Good	No applications were received by the Shire of Morawa during the Audit Period.	None.
	How does the Shire of Morawa ensure that the services it supplies are safe, reliable and financially viable?	David Williams	Good	Regular maintenance and financial reviews are deemed adequate for the size of the asset.	None.
Clause 14 Specific information to be provided	Has the Shire of Morawa informed the Authority within five days of any overflows from wastewater/sewerage infrastructure?	David Williams	Good	No overflows occurred within this auditing period.	None.
	If the Authority requested any detailed reports on overflow events, have they been provided within 14 days of the request?	David Williams	Good	No overflows occurred within this auditing period.	None
	Has the Shire of Morawa provided the information in Schedule 3 been reported to the Authority within 30 days of the end of each financial year?	David Williams	Largely adequate	2003/04 Schedule 3 was handed in, there was no evidence that the Authority received the 2004/05 Schedule 3.	2004/05 Schedule 3 to be filled and submitted ASAP. Schedule 3's to be submitted within 30 days of the end of the financial year.
Clause 15/Schedule 2 Performance Standards	Are customers provided with non-potable water annually notified that the water supplied is not potable?	David Williams	Good	Yes. Signage and communicated through community sporting groups. Although improvement is needed, this strategy of communication has been effective to date and is deemed adequate for the size of the Scheme.	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?	David Williams	Good	No overflows occurred during this auditing period.	None.
Blockages	Were there less than 40 blockages per 100 km length of sewer?	David Williams	Largely adequate	Although no sewage scheme blockages, there were pipe blockages but were not recorded and documented.	All blockages need to be documented.
Emergency response	Has Shire of Morawa implemented an emergency telephone number? Do 90% of customers receive advice within one hour	David Williams	Largely adequate	Emergency number is not listed in the AMP. The emergency contact is Paul Buiist.	Update AMP to reflect emergency number.

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	of reporting an emergency?				
Responsiveness to Customer Complaints	Are 90% of written customer complaints resolved within 21 days?	David Williams	N/A	Customer Charter outlines complaints response policy, which is to respond within 10 working days. No complaints received.	None
Clause 16 Terms and conditions of customer contracts	Have the Shire of Morawa entered into agreements with customers to provide water services?	David Williams	N/A	No the Shire has not entered into any agreement.	None
	If so, have any of the terms and conditions been modified without written approval from the Authority?	David Williams	N/A	No the Shire has not entered into any agreement.	None
Clause 17 Obligations to public authorities and other Licensees	Do the wastewater treatment plants operated by the Shire of Morawa have the relevant licences from the Department of Environment and are they operated in accordance with these licences?	David Williams	Good	Yes. Sighted letter with Department of Environment.	None
Clause 18 Consumer Consultation	Have the Shire of Morawa held a public meeting or advertised for written submissions prior to making major changes to the operation of the water service?	David Williams	N/A	Not made any major changes, therefore no meetings held, but would if there was reason.	None
	Does the Shire of Morawa 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> ?	David Williams	Good	10 minutes open question time at the beginning of each meeting.	None
Clause 19 Customer Service Charter	Does the Shire of Morawa have a “plain English” Customer Service Charter?	David Williams	Excellent	Yes. Sighted Shire of Morawa Customer Service Charter for Morawa Wastewater Services	None

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	Does the Charter address all of the service issues reasonably likely to be of concern to its Customers?	David Williams	Excellent	Yes. Covered in the AMP.	None.
	Has the Charter been reviewed within the last three years?	David Williams	Excellent	Yes. December 2004.	None.
	Have any changes to the Charter been approved by the Authority?	David Williams	Good	Yes. Sighted letter dated 14/1/05 from the Authority to Mr Williams stating that the Customer Service Charter has been approved	None.
	How does the Shire of Morawa make the Charter available to its Customers?	David Williams	Largely adequate	Available upon request.	Shire to display the Charter in a prominent position in the Shire office and to add note to rates notice annually.
	Does the Shire of Morawa provide services that are consistent with the Charter?	David Williams	Excellent	Yes. Except for Charter availability	None.
Clause 20 Dispute Resolution	Is there a system in place for recording, managing and resolving customer complaints?	David Williams	Largely adequate	There is a verbal system where all issues are dealt with on-site immediately. It is recommended that it is recorded and documented. A Complaints Register Form should be developed that records and monitors customer complaints.	A Complaints Register should be set up and used for all complaints. This can be used to judge performance standards.

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	Are there officers designated to deal with complaints, and are they authorised to settle disputes, including monetary compensation where necessary?	David Williams	Good	Yes. David Williams and Paul Buiist	None.
	Are Customers made aware that they can refer any dispute between themselves and the Shire of Morawa to the Water Services Planning Branch of the Department of Water?	David Williams	Good	Yes. The Charter lists Authority contact details for Customers incase of a dispute.	None.
	Where complaints are not resolved within 21 days, is the Customer advised of alternative forms of redress?	David Williams	N/A	The Shire has a full understanding of the procedure; however there have been no complaints during this audit period.	None.

9 Summary of Operational Audit Findings

Overall, the Shire of Morawa'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)

There was no AMP available for review at the time of the audit, nor was it known whether an update to the 1999 AMP had been produced. 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.

The following issues were regarded as 'Largely adequate'.

9.2 Charter – Overflows and Blockages

The Shire of Morawa has experienced numerous blockages as a result of tree roots invading the pipe lines.

Recommendation

It is recommended that a review of the performance and viability of pipe line replacement should occur.

9.3 Charter – Emergency response

The Shire of Morawa's emergency contact needs to be updated.

9.4 Customer Service Charter (Clause 19)

The Charter also needs to be displayed in a visible area in the Shire of Morawa's office and sent annually to customers.

9.5 Dispute Resolution (Clause 20)

A verbal system where all the issues are dealt with on-site and immediately currently occurs.

Recommendation

A Complaints Register should be set up and used for all complaints. This can be used to judge performance standards.

10 Asset Management System Review – Key Outputs and Performance

10.1 Effectiveness Rating Scale

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

- Excellent
- Good
- Largely adequate
- Inadequate

10.2 Asset Planning/Creation/Acquisition

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

Item No.	Test	Comments	Effectiveness
a.	Have the strategic objectives for assets been identified?	Yes. Sighted AMP	Good
b.	Have the life cycle costs been considered?	Yes. Sighted in AMP, however not recently.	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. Sighted in AMP. AMP needs to be updated to reflect the next five years.	Largely adequate

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Item No.	Test	Comments	Effectiveness
d.	Have documents recording relevant details on the asset been collected?	No. AMP did not cover location and condition of the assets It is recommended that Assets are reassessed during the AMP review.	Largely adequate
e.	Do assets reflect the objectives identified in the asset creation/acquisition phase?	Yes. Sighted in AMP, but may not reflect current requirements. It is also evidenced by lack of complaints.	Largely adequate
f.	Are actual costs as predicted?	Yes. Sighted in AMP	Good

Overall Comment

AMP is no longer considered current. There have been no breakdowns or complaints, so this would indicate that level of assets are adequate for the service required. AMP needs 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?	The AMP includes the performance requirement details of the scheme.	Good
b.	Are the asset system objectives documented?	The AMP includes a mission statement for the scheme. Service delivery objectives are defined in the Operating Licence.	Good
c.	Have the opportunities and threats in the system environment been assessed?	There is no evidence that an assessment has been undertaken. However, the adoption of alarms, life buoys and eye wash facilities at various scheme locations indicates that some assessment has been carried out. Additionally, the Shire utilises the treatment effluent for irrigation on its own facilities thus opportunities have been considered in part.	Inadequate
d.	Are regulatory obligations and statutory/regulatory requirements documented?	The asset Management Plan includes the regulatory obligations and statutory requirement details of the scheme	Good
e.	Is the asset meeting the level of service required by users of the service?	The AMP includes the level of service requirement for the scheme. Operational results indicate that the assets are meeting performance requirements for overflows	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. Opportunities and threats need to be assessed as well as updating the AMP.

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. Sighted in AMP	Good
b.	Has the asset performance and condition been assessed?	No. AMP is out of date.	Largely adequate
c.	Does the asset management plan include an asset register and plans of asset system components?	Yes, sighted in AMP	Good
d.	Does the register record asset type, location, material and an assessment of assets' physical/structural condition?	No. Update during the AMP review.	Largely adequate
e.	Are systems in place to assess asset and practice efficiency?	No. AMP needs to be reviewed and updated.	Largely adequate
f.	Assets assessed for capability and deficiencies of current assets to meet performance requirements?	Yes, sighted in AMP	Good
g.	Are practices covering operating rules and maintenance documented?	Operating rules and maintenance are conducted but seldom followed. Document all maintenance and repairs.	Largely adequate
h.	Do maintenance plans cover preventative and corrective maintenance?	Yes. Sighted in AMP	Good

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Item No.	Test	Comments	Effectiveness
i.	Are actual assets and human resources appropriate for performance requirements?	Yes. Sighted in AMP and reflected by no overflows and blockages. The level of staffing appears adequate to meet the performance requirements. EHO, Accountant and Works Supervisor share the responsibility of the asset.	Good
j.	Do operation and maintenance practices reflect performance targets?	Yes.	Good
k.	Are costs measured and recorded?	Yes. Sighted AMP and budget	Good
l.	Is the asset under-utilised?	No. The design of the asset allows for growth.	Good
m.	Is the level of maintenance justified against replacement cost?	Yes. AMP	Good
n.	Has the asset been inspected?	The asset is inspected regularly by Paul Buiist during routine maintenance. The asset should be reviewed during the review of the AMP.	Good
o.	Is the assets' theoretical life known?	Yes. Sighted AMP	Good
p.	Does the asset management plan enable the prediction of asset deterioration and failure?	Yes. Sighted AMP that predicts the asset deterioration based on life span. This aspect of the AMP requires further development. The asset plan could be used in conjunction with systematic patterns to determine actual asset deterioration and failure.	Largely adequate
q.	Do the maintenance plans and operational plans relate to what is required to achieve the levels of service required of the system?	Yes. Sighted basic principals of operation and maintenance within the AMP	Good

Overall Comment: This aspect of the AMP is considered to be largely adequate to good.

Risk Analysis and Contingency Planning

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

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

Overall Comment

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

10.5 Financial Planning

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

Item No.	Test	Comments	Effectiveness
a.	Does the Financial Plan provide projections of operating statements (profit and loss) and statement of financial position (balance sheets)?	Yes. Sighted Shire of Morawa Budget. Profit, sighted from Financial Statement	Good
b.	Does the financial plan cover the financial objectives and strategies and actions to achieve the objectives?	Yes. Sighted AMP and Annual Financial Report. The financial details for the water services are included within the overall budget and financial planning and indicate full compliance with the requirement.	Good
c.	Does the financial plan identify the source of funds for the capital expenditure plan?	Yes. Sighted AMP/Budget and funds are deemed adequate for the provision of water services.	Good
d.	Are the sources of funds for operation, maintenance and administration identified in the financial plan?	Yes	Good
e.	Does the financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period?	No. The Financial Plan within the AMP will need to be updated to reflect maintenance and capital expenditure over the next 5 years.	Inadequate
f.	Does the financial plan provide for the operation and maintenance, administration and capital expenditure requirements of the scheme?	Yes. All stated in the Budget. There is a Reserve Fund for future capital expenditure.	Good

Overall Comment

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

10.6 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. Sighted in AMP, however the Capital Expenditure Plan within the AMP needs to be updated to reflect the next 5 years. There is a Reserve Fund being that can be used for any replacements.	Largely adequate
b.	Does the plan cover the issues to be addressed, the actions proposed, the centre of responsibilities, and deadline dates?	Yes. Responsibilities have been addressed in the AMP but proposed actions require updating.	Largely adequate
c.	Does the plan provide reasons for capital expenditure and timing of expenditure?	Yes. Sighted in AMP	Good
d.	Is the capital expenditure plan consistent with the asset life and condition identified in the asset management plan?	Asset life, however condition has not been considered.	Good

Overall Comment

This area of the overall asset management is operating at a largely adequate level. Future capital expenditure planning is required for anticipation of capital asset costs. The Shire has adequate Reserve Funds to support current operations.

10.7 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

The AMP has not been updated since it was prepared. Since then there have been some changes to the system. The AMP needs to be updated to reflect these changes, as well as all the other details.

11 Summary of Asset Management Review Findings

11.1 Introduction

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, the maintenance schedule and register needs to be updated, preferably in conjunction with the Works Manager, and implemented. A regular maintenance regime needs to be implemented as well as documented to ensure the customers in the Shire of Morawa 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 Shire's wastewater treatment system because the system is small and simple. The Shire of Morawa is 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 has been documented.

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: Largely adequate.

11.2.2 Environmental Analysis

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

Recommendation

Opportunities and threats need to be assessed and documented.

Assessment: Good.

11.2.3 Asset Management System Analysis

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

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: Largely adequate to good.

11.2.4 Risk Analysis and Contingency Planning

No risk assessment and analysis has been conducted.

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

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

Recommendation

Conduct a risk assessment and develop a contingency plan.

Assessment: Inadequate.

11.2.5 Financial Planning

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

Recommendation

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 was not updated during the last review in 1999. Fortunately the population and the needs for the Shire of Morawa's asset base have remained constant over that period. There is also a sewerage reserve fund that gets added to each year as part of the annual budget process.

Recommendation

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

Assessment: Largely adequate.

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

- Shire of Morawa's Operational Audit and Asset Management System Review 2003
- Shire of Morawa Customer Services Charter for Wastewater Services December 2004
- Letter from DoE re: Registration Application
- Shire of Morawa's Budget for the year ended 30th June 2005
- Asset Management Plan April 1999