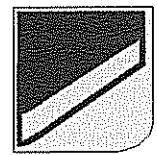




SMEC Australia Pty Ltd



STANTON
PARTNERS

Shire of Ravensthorpe

OPERATIONAL AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW

Final

January 2000

**Shire of Ravensthorpe
Operational Audit and Asset Management System Review**

Final Report

Project Number: 36004.008

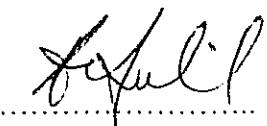
Date: January 2000

Prepared by:



Project Manager

Reviewed & Approved by:



Project Director

EXECUTIVE SUMMARY

BACKGROUND

The Shire of Ravensthorpe was formally granted an Operating Licence for a term of five years on 21 May 1997. The Licence permits the Shire to provide wastewater services in the operating area that is centered on the town site of Ravensthorpe within the Shire boundaries. The Office of Water Regulation (OWR) monitors the operational performance of the Shire against its Operating Licence.

In accordance with Section 37 of the *Water Services Coordination Act 1995* operational audits are required to be undertaken not less than once in every 24 month period. The primary objective of this audit is to determine the effectiveness of measures taken by the Shire to maintain those quality and performance standards which are referred to in the Shire's Operating Licence.

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

Section 36 of the *Water Services Coordination Act 1995* and Clauses 4.1 and 4.2 of the Shire's Operating Licence, requires the Shire to provide and maintain an asset management system. The system must set out the measures to be taken by the Shire 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 to provide the Coordinator of Water Services with a report by an independent expert on the effectiveness of the system.

The Shire of Ravensthorpe, with the approval of OWR, has commissioned SMEC Australia to conduct the first operational audit and review of the Shire's asset management system.

SCOPE OF AUDIT AND REVIEW

This scope of the review is to provide an opinion to the Coordinator of Water Services on whether the Shire has in place the appropriate systems for the planning, construction, operation and maintenance of its assets. The audit and review examined;

- compliance with the Operating Licence;
- 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; and
- the effectiveness of the asset management system by considering the systems established for the planning, construction, operation and maintenance of works.

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

TIME FRAME OF THE AUDIT AND REVIEW

The audit and review covered the period 21 May 1997 to 1 October 1999.

OVERVIEW OF COMPLIANCE PERFORMANCE

It is the auditors' view that the Shire is achieving an acceptable level of compliance with the requirements of the Operating Licence.

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

**Shire of Ravensthorpe – 1999 Operational Audit
Summary Level of Compliance**

Clause/Schedule	Standard	Compliance Scale
Clause 3, Section 3.14	Customer Service Charter	Minor nonconformance
Clause 3, Section 3.19	Customer Complaints Process, Reporting & Surveys;	Minor nonconformance
Clause 4, Sect's 4.1-4.3	Asset Management	Minor nonconformance Refer to Asset Management System Review Section
Clause 6	Contracting of Services	
Schedule 1	Areas of Operation;	Compliance
Schedule 4	Accounts and Accounting Records;	Compliance
Schedule 6	Prices or charges;	Compliance
Schedule 7	Principles of Water Service Provision	Compliance
Schedule 12	Other Water, Continuity, Odours, Emergency Response, Reports;	Minor nonconformance
Schedule 14	Obligations to public Authorities and other licensees	Compliance
Schedule 17	Customer Consultation mechanisms in place	Minor nonconformance

OPERATIONAL AUDIT CONCLUSION

The level of compliance found in Operational Audit indicates that the Shire of Ravensthorpe has delayed in achieving the requirements of the Operating Licence. The Customer Charter and the Asset Management Plan both need to be submitted to the Coordinator and as such these are Minor nonconformances. Both documents were presented in final format and formed the basis of the audit and review.

Apart from these minor nonconformances the Shire of Ravensthorpe has in place the necessary measures to maintain those quality and performance standards which are referred to in the Shire's Operating Licence.

Meeting deadlines imposed by the Licence is an area where the Shire should incorporate the activities in a schedule to reduce the input required by the Coordinator. This would avoid the current Minor nonconformance with the Customer Complaint report. The Coordinator should also look at modifying the deadlines to make the reporting process more efficient.

The Shire have a minor nonconformance with its obligation to submit the details of the sewerage scheme to the DEP. The corrective action recommended is acceptable for this minor nonconformance.

The Customer Consultation requirements of the Licence seem designed for larger schemes and as a result the Shire has maintained the process of constant consultation through interfacing with the customers on a regular basis. The Coordinator should determine if this level of Customer Consultation is deemed appropriate for the scheme that services approximately 140 properties.

The Asset Management Plan had been prepared and through the audit and review process it was indicated that the Minor nonconformance in submitting the document was largely due to the lack of continuity of administration staff. Appropriate actions are to be taken to submit this to the Office of Water Regulation and correct this non compliance.

OVERVIEW OF ASSET MANAGEMENT SYSTEM REVIEW

The review of the Asset Management System was undertaken with the asset management plan document that has not been submitted to the Coordinator. The results of the assessment of the relevant standards outputs and outcomes is summarised in the following table:

**Shire of Ravensthorpe – 1999 Asset Management System Review
Summary Level of Performance**

Activity	Description	Overall Performance
Asset 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.	Adequate
Environmental Analysis	Environmental analysis examines the asset system environment and assesses all external factors affecting the asset system.	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 would include examination of the asset register.</p>	Adequate

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.	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.	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.	Adequate
Review	Review of the asset management plan assists to ensure the effective development and operation of asset management plans.	Largely Adequate

ASSET MANAGEMENT SYSTEM REVIEW CONCLUSION

The Shire's Asset Management System is founded on a good asset management plan. The asset components are well documented and the operation and maintenance plans are thorough. The Asset Management Plan is to be submitted to the OWR for approval to comply with Clause 4 of the Operating Licence.

Recommendations resulting from the risk assessment within this document concerning the rebuilding and removal of sludge from the primary oxidation pond are currently being acted on by the Shire.

The scheme has in place preventative maintenance practices that address the areas of risk within the system, and corrective action such as unblocking sewerage pipes is being undertaken such that the performance requirements continue to be met.

An appropriate documented review process should be formally adopted to retain currency of the AMP, especially at the completion of the construction of the new oxidation ponds. With these actions the Shire will have in place an asset management system that will meet their strategic objectives and the aims of the licence.

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1. INTRODUCTION

In November 1999 SMEC Australia, in association with Stanton Partners, was awarded a consultancy by the Shire of Ravensthorpe to undertake the Operational Audit and the first review of the Asset Management System for the Shire's Sewerage Scheme. This review assesses the adequacy and the effectiveness of the asset management system for the planning, construction, operation and maintenance of the Shire's assets.

Following acceptance of the Review and Test Plan by the Shire, and the Office of Water Regulation, Nicholas Churchill undertook the on-site review on 25th November 1999.

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

2. REVIEW OBJECTIVES AND SCOPE

2.1 OPERATIONAL AUDIT

In accordance with Section 37 of the *Water Services Coordination Act 1995* operational audits are required to be undertaken not less than once in every 24 month period. The primary objective of this audit is to determine the effectiveness of measures taken by the Shire to maintain those quality and performance standards which are referred to in the Shire's Operating Licence.

Specifically, the audit will consider the systems and effectiveness of processes used by the Shire to ensure compliance with the following standards, outputs and outcomes required by the Licence;

Clause/Schedule	Standard
➤ Clause 3 Section 14	Customer Service Charter;
➤ Clause 3 Section 19	Customer Complaints Process, Reporting and Surveys;
➤ Clause 4	Asset Management System;
➤ Clause 6	Contracting of Services
➤ Schedule 1	Operating Area;
➤ Schedule 4	Accounting;
➤ Schedule 6	Prices and Charges;
➤ Schedule 7	Principles of Water Service Provision
➤ Schedule 12	Levels of Service Standards, Performance Indicators and Reporting Requirements;
◊ Other Water	
◊ Continuity	
◊ Odours	
◊ Emergency Response	
◊ Reports	
➤ Schedule 14	Obligations to Public Authorities and Other Licensees
➤ Schedule 17	Customer Consultation Mechanisms in Place

The audit covered the period from 21 May 1997 to 1 October 1999.

2.2 ASSET MANAGEMENT REVIEW

In accordance with Section 36 of the *Water Services Coordination Act 1995* the Shire is required to provide for and maintain an asset management system, which sets out the measures to be taken by the Shire 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 to provide the Coordinator of Water Services with a report by an independent expert on the effectiveness of the system.

This review will provide an opinion to the Coordinator of Water Services on whether the Shire 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; and
- the effectiveness of the asset management system by considering the systems established for the planning, construction, operation and maintenance of works.

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

3. REVIEW METHODOLOGY

The Audit and Review Methodologies to be adopted are based on the 'Operational Audit Requirements and Review of Asset Management System Local Government Operating Licence Holders' document of July 1999; and outlined in SMEC Australia's 'Shire Operational Audit and Asset Management Review' document of November 1999.

The three distinct phases of both the audit and review were;

- I. Development of the Audit and Review Plan
- II. Site Visit
- III. Reporting and Follow-up

3.1 OPERATIONAL AUDIT

Specific tasks undertaken included:

- Review of key documents related to the auditable requirements detailed at 2.1 above, including:
 - ↳ the Shire's Customer Service Charter;
 - ↳ relevant Policies and Procedures established by the Shire 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 work instructions for the provision of water services;
 - ↳ Performance Indicator data and reports;
 - ↳ the Shire's customer complaints handling processes, procedures and reporting mechanisms;
 - ↳ Monthly Business Performance Management reports;
 - ↳ any relevant Service Agreements or Memorandum of Understanding with other agencies;
 - ↳ any relevant correspondence between the Shire and Coordinator of Water Services 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, enabling comparison with requirements of the Operating Licence;
- Consultation and discussions with Office of Water Regulation representatives (where necessary, within each of the three audit phases);
- Discussions and interviews with key staff of the Shire (within each of the three audit phases);
- Observation of processes / procedures and operations;
- Analysis of the extent to which the Shire'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 in meeting the requirements relating to the provision of services;
- Technical review of a sample of works requests relating to the provision of services;

- Sampling source documents to determine whether established procedures relating to the provision of services and management of customer services have been complied with. In circumstances where the volume of occasions of service or other relevant transactions being tested are large, sampling techniques will be utilised to provide adequate assurance that test results are representative of the Shire's operations;
- Field inspections and observation of work sites relating to the provision of required services.
- Assess the level of compliance with the operating licence requirements using the Compliance Scale detailed in Section 7 of the Brief.

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

3.2 ASSET MANAGEMENT REVIEW

Specific tasks undertaken included:

- Consultation and discussions with Office of Water Regulation representatives (where necessary, within each of the three review phases);
- Analysis of the Shire'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 (within each of the three review phases);
- Observation of processes / procedures and operations;
- Analysis of the Shire's information systems supporting its asset management system;
- Technical analysis of a sample of transactions or data relating to the Shire's asset management system;
- Field inspections and observation of work sites relating to the provision of the Shire's asset management system.
- Where instances of nonconformance with Operating Licence requirements were noted during the review, an assessment was made on the adequacy and effectiveness of the Shire's plans to resolve the matter of nonconformance.

Note: The review utilised the Assessment Rating Scale detailed in Section 12.4 of 'Operational Audit Requirements and Review of Asset Management System Local Government Operating Licence Holders' document.

4. AUDIT AND REVIEW STAFF RESOURCES

4.1 SHIRE OF RAVENSTHORPE REPRESENTATIVES

The following representative of the Shire participated in the audit and review:

Deputy Chief Executive Officer Russell Weston

AUDIT AND REVIEW TEAM

The Team comprised:

Team Leader: Peter Hall (SMEC)
Auditor: Nicholas Churchill (SMEC)
Auditor: Andrew Georgiades (Stanton Partners)

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

Task no.	Audit and Review Task	Hours
1	Development and approval of Audit and Review Plan	4
2	Site Visit	8
3	Reporting and Follow-up	28
	Total Hours	40

The Site Visit task of the audit and review was conducted at Ravensthorpe on the 25th November 1999.

4.3 AUDIT AND REVIEW PERIOD

The audit and review covered the period from 21 May 1997 to 1 October 1999.

5. OPERATIONAL AUDIT – SPECIFIC COMPLIANCE ISSUES EXAMINED

Clause/ Schedule	Licence Obligation	System Established by the Shire to Comply with Licence Obligations	Compliance Scale (& Reference to Finding)
Clause 3, Section 3.14	<p>(a) <i>By 1 December 1997, the Shire must have prepared a customer service charter, formally setting out the principles, terms and conditions under which it intends to provide wastewater services.</i></p> <p>(b) <i>The customer service charter should be drafted in plain English and should address all of the service issues that are reasonably likely to be of concern to its customers.</i></p>	<p>The Shire has completed a Customer Service Charter but has not submitted the document to the Coordinator for approval. This sighted Customer Charter is based on a shell document given by the Coordinator to the Shire and formally sets out the principles, terms and conditions under which the Shire intends to provide wastewater services. The charter was not formally completed by 1 December 1997, the Coordinator is aware of the delayed timeframe for submission.</p> <p>The sighted customer charter is easy to read and clearly details issues which relate to the interests of its customers, by reference to;</p> <ul style="list-style-type: none"> • those services provided by the Shire, consistent with the requirements of the Licence, • the Shire's obligations and responsibilities; • Customers' rights and responsibilities; • the Shire's rights and powers; • procedures for the Shire's response to enquiries and complaints • customer consultation mechanisms 	<p>Minor nonconformance. Refer Section 6</p> <p>Compliance</p>

Clause/ Schedule	Licence Obligation	System Established by the Shire to Comply with Licence Obligations	Compliance Scale (& Reference to Finding)
Clause 3, Section 3.14 Cont'd	<p><u>Customer Service Charter (cont.)</u></p> <p>(f) <i>From 1 February 1998, the Shire must have made its customer service charter available to its customers by prominently displaying it in those parts of the Shire's offices to which customers regularly have access; by providing a copy, upon request, and at no charge to the customer; and by sending a current copy of it to all customers.</i></p> <p>(g) <i>The Shire must provide services in a way which is materially consistent with its customer service charter.</i></p>	<p>The Shire has not made its Customer Service Charter available to its customers from February 1998.</p>	<p>Minor nonconformance. Refer Section 6</p> <p>The sighted Charter details those services offered by the Shire, which are consistent with the requirements of the Licence. Via observation of the Shire records and its operations, and discussion with staff, it was also evident during the audit that the Charter is consistent with the actual services provided by the Shire.</p>
Clause 3, Section 3.19	<p><u>Customer Complaints Process, Reporting and Surveys</u></p> <p>(a) <i>By 1 January 1998, the Shire must have had in place and properly resourced a process for effectively receiving, recording, managing and resolving customer complaints within 21 days, or for matters which must be considered by the Shire, within 7 days after the first ordinary Shire meeting following the complaint.</i></p>	<p>The Shire utilises a "Complaints Register" for recording and handling customer complaints. The CEO or Deputy CEO records and the customer complaints received and the Works Supervisor manages the staff required to resolve the complaint. This process meets the minimum Licence requirements relating to a Customer Complaints Process.</p> <p>The Shire's procedures for receiving, recording, managing and resolving customer complaints are the responsibility of the CEO and other staff are aware of this system.</p> <p>The Shire has not received any complaints during the audit period.</p>	<p>Compliance.</p>

Clause/ Schedule	Licence Obligation	System Established by the Shire to Comply with Licence Obligations	Compliance Scale (& Reference to Funding)
Clause 3, Section 3.19 Conf'd	<p>(b) <i>The Shire must, at a minimum, record details of each complaint and its outcome, provide suitably trained and authorised officers for dealing with customer complaints (including the settlement of disputes and the payment of monetary compensation).</i></p> <p>(c) <i>On 1 January 1999, the Shire must have provided the Coordinator with a report which details those matters specified within Clause 3.19 (c) (i) to (iii).</i></p> <p>(d) <i>The Shire must have classified the subject of each complaint by reference to the "Levels of Service" categories set out in Schedule 12 of the Licence.</i></p>	<p>A protocol to resolve complaints is established within the sighted Customer Charter, which also advises of the alternative forms of redress available with the Coordinator. The Shire's Complaints Procedure involves appropriate details of complaints received being recorded on the Complaints Register File. The "Complaints Register File" includes a mechanism for ensuring that complaints have been appropriately dealt with or referred to the point at which they can be resolved (in compliance with timeframes for resolution of the complaint). The task of recording and initially facilitating the management of formal customer complaints has been designated to the CEO. The CEO is also responsible for dealing with those complaints which "escalate" from the original point of reference. Where necessary, the CEO is able to refer complaints to the Shire or the Office of Water Regulation. Shire meetings deal with any customer request, or recommendations made by the CEO for monetary settlement.</p> <p>The Shire has not reported details of complaints received during the period 1.1.98 to 31.12.98 in accordance with the requirements of Clause 3.19 (c) (i) to (iii) and (e).</p> <p>(d) The Shire reported to the Coordinator, classifications of the subject of each complaint by reference to the "Levels of Service" categories set out in Schedule 12 of the Licence. As no complaints were received during the audit period this item is not applicable.</p>	<p>Compliance.</p> <p>Minor nonconformance</p> <p>Refer Section 6</p> <p>Not Applicable</p>

Clause/ Schedule	Licence Obligation	System Established by the Shire to Comply with Licence Obligations	Compliance Scale (& Reference to Funding)
Clause 4, Sections 4.1 to 4.3	<u>Asset Management</u> <i>The Shire must establish and maintain an asset management system.</i>	<p>The Shire has established and maintains an asset management system for all assets of the Licence. The draft asset management plan has been submitted to the Coordinator.</p> <p>Although a final asset management plan has been prepared and recommendations from that document have been acted upon by Council, the Council have not formally adopted the AMP and it has not been submitted to the Coordinator.</p> <p>The adequacy and effectiveness of the current asset management system is contained in Section 7 and 8 of this report.</p>	Non Compliance Refer to Section 6
Clause 6	<u>Contracting of Services</u> <i>The licensee may engage persons to provide wastewater services. Where it does so the licensee remains responsible for ensuring the services comply with its licence conditions and legislation..</i>	The Shire does not contract out wastewater services.	Not Applicable
Schedule 1	<u>Areas of Operation</u> <i>The Shire may provide wastewater services only to that area designated by reference to Plan Number OWR-OA-040/2 (which refers to the plans of the operating area).</i>	The Shire utilises Plan Number OWR-OA-040/2 as the primary reference to the Operating Area in which it provides wastewater services. No services are provided by the Shire outside of the area designated in the Area of Operation.	Compliance.

Clause/ Schedule	Licence Obligation	System Established by the Shire to Comply with Licence Obligations	Compliance Scale (& Reference to Finding)
Schedule 4 <u>Accounts and Accounting Records</u>	<p><i>In addition to complying with the accounting requirements of the FAAA 1985, the Shire must prepare its accounts in a way which makes it able to issue an operating statement, which accurately describes its income and expenditure in relation to its provision of water services, on an accruals basis.</i></p>	<p>The Shire's 1998/99 Financial Statement included the following:</p> <ul style="list-style-type: none"> • Statement of Financial Position at 30 June 199x; • Operating Statement for the year ended 30 June 199x; and • Statement of Cash Flows for the year ended 30 June 199x. <p>Each of the eight Shires have been audited by independent external auditors for the 1998/99 financial year in accordance with AAS 27 "Financial Reporting by Local Governments". AAS 27 requires that their accounts be presented on an accrual basis.</p> <p>Given this it is reasonable to conclude that each Shire possesses the capability to provide accrual information in relation to Water Services.</p> <p>To provide an opinion of the accuracy of this information would require a financial audit.</p>	Compliance.
Schedule 6 <u>Prices or charges</u>	<p><i>In setting prices or charges the licensee will comply with the provisions of the Health Act and the Local Government Act 1995.</i></p>	<p>Stanton Partners can confirm that the rates disclosed in the financial statements are consistent with the requirements of the Local Government and Health Acts. However we are unable to confirm the accuracy of the prices and charges disclosed in the audited Financial Information without performing an audit of the underlying financial information. We assume that this would have been performed by the independent external auditor's, but cannot confirm this without having access to the independent auditor's working papers.</p>	Compliance

Clause/ Schedule	Licence Obligation	System Established by the Shire to Comply with Licence Obligations	Compliance Scale (& Reference to Finding)
Schedule 7	<p><i>The Shire shall ensure that its services are available for connection on request to any land situated in the Operating Area, subject to the applicant meeting any conditions the Shire may determine to ensure safe reliable and financially viable supply of services to land in the Operating Area in accordance with this Licence and any relevant legislation.</i></p>	<p>The Shire's "Conditions for Connection" have been incorporated into its Customer Service Charter.</p> <p>Completed application forms for water services together with the appropriate application charge are processed at the Shire's Office. Charges levied are approved by the Shire. The application forms are a requirement of the Health Department as part of the building application process.</p> <p>A review of applications for wastewater services indicated that the needs of all applicants were met by the Shire.</p>	Compliance.
Schedule 12	<p><u>Levels of Service Standards, Performance Indicators and Reporting Requirements</u></p> <p><u>Other Water</u></p> <p><u>Continuity</u></p> <p><u>Odours</u></p> <p><u>Emergency Response</u></p> <p><u>Reporting</u></p>	<p>Effluent is currently not being re-used and as such there are no Licence obligations.</p> <p>Compliance with Levels of Service were met. No complaints were received during the audit period.</p> <p>Compliance with Levels of Service were met. No complaints were received during the audit period.</p> <p>The after hours contact number for the CEO, Deputy CEO and Manager of Works and Services are widely available.</p> <p>Within an hour the customer will be informed of the nature and timing of the action to be undertaken by the Shire.</p> <p>The Shire has reported the Performance Indicators to the Coordinator in accordance with Sections 1.5 and 1.6 of Schedule 12. The submission of the reports was made only after a sample form was sent to the Shire by the Coordinator.</p>	<p>Compliance.</p> <p>Compliance</p> <p>Compliance</p> <p>Compliance</p> <p>Minor nonconformance</p> <p>Refer Section 6</p>

Clause/ Schedule	Licence Obligation	System Established by the Shire to Comply with Licence Obligations	Compliance Scale (& Reference to Funding)
Schedule 14	<u>Obligations to public authorities and other licensees</u> <i>The Shire must fulfil its obligations to public authorities and other licencees.</i>	<p>The Shire has fulfilled its obligation to register its sewerage scheme with the DEP.</p> <p><i>The Shire must establish a system to consult with members of the Shire council and staff, and the Sewerage Scheme Customer Service Charter, to inform customers and proactively solicit customer opinion on the Shire's operations and delivery of its services.</i></p>	Compliance
Schedule 17	<u>Customer Consultation</u>	<p>The size of the system allows regular personal consultation with members of the Shire council and staff. An invitation for comment is included as part of the general Shire Customer Service Charter and the Sewerage Scheme Customer Service Charter.</p> <p>An established customer consultation process forms part of the annual Principle Activities Plan, with feedback from the customers used to identify areas of concern within the system and suitable action planned.</p> <p>The Coordinator has not been consulted with respect to the type and extent of customer consultation in accordance with Section 2, so this constitutes a Minor nonconformance.</p>	Minor nonconformance Refer Section 6

6. OPERATIONAL AUDIT – SPECIFIC FINDINGS AND RECOMMENDATIONS

Ref.	Specific Findings	Recommendations	Action Plan
1	<p>The Shire did not meet the following specific deadlines and targets required by the Licence;</p> <ul style="list-style-type: none"> • <i>Clause 3.14: Customer Charter:</i> The Shire was required to complete a draft customer charter including "Conditions for Connection" by 1 December 1997, however they were not completed until November 1998. The Coordinator was aware of the delayed timeframes. (see separate compliance plan below) • <i>Clause 3.19: Customer Complaints Process, Reporting and Surveys:</i> The Shire was required to report details of complaints received during the twelve months to 31 December 1998 by 1 January 1999, however did not do so until March 1999. It does not appear practical for a report of information compiled to 31 December to be completed by the next day, 1 January. The Shire's provision of this report in March may be considered to be a delayed timeframe. • <i>Clause 4.1 - 4.3: Asset Management System, Notification:</i> The Shire was required to have in place comprehensive asset management plans by December 1998 and the Coordinator was to be informed of these plans. The Shire have in place a asset management plan that meets the requirement but has not submitted this document to the Coordinator for approval.(See separate compliance plan below) • <i>Schedule 12, Clauses 1.5 – 1.6: Performance Reporting:</i> The Shire was required to report the performance of the scheme for the period 1 July 1997 to 30 June 1998 but did not do so until December 1998. This is to be considered as a delayed timeframe but may have been due to the report being the first such performance report. The second report had been prompted by the Coordinator but had been submitted within a much more satisfactory timeframe. 	<p>In instances where the targets and deadlines imposed by the Licence are considered by both the Shire and OWR to be unachievable, OWR either;</p> <ol style="list-style-type: none"> granted specific exemption from the target and if necessary, imposed a new target; or revised the Licence to reflect an achievable target. <p>The reporting requirements should be scheduled within the Shires activities to remove the need for OWR to supply the current level of advice.</p> <p>The reporting activities are presently required to be undertaken six months apart and could be consolidated into one report that addresses the different aspects of the wastewater scheme operations.</p>	<p>Action</p> <p>Responsible Officer</p> <p>Target Date</p>

Ref	Specific Findings	Recommendations	Action Plan
2	<i>Clause 3 – Customer Service Charter</i>	<p><i>Clause 3.19: Customer Complaints Process, Reporting and Surveys:</i></p> <p>The Shire was required to report details of complaints received during the twelve months to 31 December 1998 by 1 January 1999</p>	<p>The Shire is to obtain a copy of the OWR form and submit the overdue Customer Complaints Report in conjunction with the Report for the 12 month period ending 31 December 1999.</p> <p><u>Action</u></p> <p>As per recommendation</p> <p><u>Responsible Officer</u></p> <p>CEO/ Deputy CEO</p> <p><u>Target</u></p> <p>January 2000</p>
3	<i>Clause 3.14: Customer Charter:</i>	<p><i>Clause 3.14: Customer Charter:</i></p> <p>The Shire was required to complete a draft customer charter including "Conditions for Connection" by 1 December 1997, however they were not completed until November 1998.</p>	<p>The Final Customer Charter should be submitted and approved by the Coordinator. The approved charter should then follow the proposed plan to comply fully with Clause 3.14, which is to post the charter to the individual properties, make a copy available at no cost to the customer, and place a copy in the foyer of the Shire office.</p> <p><u>Action</u></p> <p>As per recommendation</p> <p><u>Responsible Officer</u></p> <p>CEO/ Deputy CEO</p> <p><u>Target</u></p> <p>December 1999</p>

Ref.	Specific Findings	Recommendations	Action Plan
4	<p><u>Clause 4 – Asset Management System</u></p> <p><i>Clause 4.1 - 4.3: Asset Management System, Notification:</i></p> <p>The Shire was required to have in place comprehensive asset management plan by December 1998 and the Coordinator was to be informed of this plan.</p>	<p>The Shire have a final asset management plan document which is to be formally submitted to the Office of Water Regulation for approval.</p> <p><u>Action</u></p> <p>As per recommendation.</p> <p><u>Responsible Officer</u></p> <p>CEO/ Deputy CEO</p> <p><u>Target Date</u></p> <p>December 1999</p>	
5	<p><u>Obligations to public authorities and other licensees</u></p> <p><i>The Shire must fulfil it's obligations to public authorities and other licencees</i></p>	<p>The Shire is obligated to register the Sewerage Scheme with the DEP. The level of licensing depends on the daily volume of the scheme.</p> <p>The Shire are to contact the Sewerage Scheme Licensing division and advise the size of scheme currently operating, from whence the licencing requirements can be determined by the DEP.</p> <p><u>Action</u></p> <p>As per recommendation</p> <p><u>Responsible Officer</u></p> <p>CEO/Deputy CEO/ EHO</p> <p><u>Target Date</u></p> <p>January/February</p>	

7. ASSET MANAGEMENT SYSTEM REVIEW – KEY OUTPUTS AND PERFORMANCE

Activity	Assessment Instrument /Key Outputs & Performance	Systems and Procedures Established to Comply with each Obligation		Performance
		Systems	Procedures	
Asset Creation/ Acquisition	<p>A new primary oxidation pond is to be constructed to allow the current pond to be reformed and accumulated sludge removed. The Capital Expenditure Budget indicates that surplus funds are transferred into a reserve for future maintenance and assets, including the construction of the new pond.</p> <p>(a) <i>Have the strategic objectives for the asset been identified?</i></p> <p>(b) <i>Have life cycle costs been considered?</i></p> <p>(c) <i>Has the need for new assets been determined and full project evaluation process been followed, including comparative assessment of no-asset solutions?</i></p> <p>(d) <i>Have documents recording relevant details on asset been collected?</i></p> <p>(e) <i>Do assets reflect the objective identified in the asset creation/acquisition phase?</i></p> <p>(f) <i>Are actual costs as predicted?</i></p>	<p>The Shire has documented in both the Customer Service Charter and the Asset Management Plan the strategic objective:</p> <p>“To provide and maintain quality Wastewater Services for all residents in the townsite of Ravensthorpe.”</p> <p>Life cycle costs of the new oxidation pond are the initial cost and a regular maintenance cost. The life cycle costs indicated in the AMP are those of the general maintenance of the scheme.</p> <p>The need for new assets has been determined because of the current asset is not functioning to its full capacity nor achieving the strategic objective.</p>	<p>Adequate</p> <p>Adequate</p> <p>Not Applicable</p> <p>The asset management plan details each of the asset components, including condition, and location.</p> <p>The new asset would achieve the objective and performance requirements) during the remaining period of the current Licence.</p>	<p>Adequate</p> <p>Adequate</p> <p>Not Applicable</p>
				January 2000

Activity	Assessment Instrument /Key Outputs & Performance	Systems and Procedures Established to Comply with each Obligation		Performance
		Charter	Customer Charter	
<u>Environmental Analysis</u>	The effectiveness of the Shire's Environmental Analysis was assessed by reviewing the environmental performance of the Shire's wastewater treatment assets.	<p>(a) <i>Have the performance requirements (availability of service, continuity and emergency response) been documented?</i></p> <p>(b) <i>Are the asset system objectives documented?</i></p> <p>(c) <i>Have opportunities and threats in the system environment been assessed?</i></p> <p>(d) <i>Are regulatory obligations and statutory/regulatory requirements documented?</i></p> <p>(e) <i>Is the asset meeting the level of service required by users of the service?</i></p> <p>(f) <i>Do the assets meet regulatory requirements?</i></p>	<p>The Asset Management Plan and the Customer Charter document the performance requirements.</p> <p>See (a) above</p> <p>The threat of the primary oxidation pond requiring reforming and sludge removal has been identified within the AMP and is being undertaken by the Shire as described in the Asset Creation/Acquisition section on page 7-1</p> <p>The statutory/regulatory requirement for the system to be registered with the DEP has been recorded by the DEP but is not available at the Shire.</p> <p>Yes.</p> <p>Yes. See (d) above.</p>	<p>Adequate</p> <p>Adequate</p> <p>Adequate</p> <p>Adequate</p> <p>Excellent</p> <p>Adequate</p>

Activity	Assessment Instrument /Key Outputs & Performance	Systems and Procedures Established to Comply with each Obligation	Performance
Asset system analysis	<p>Consider and analyse the asset system.</p> <p>(a) Are the asset system components documented?</p> <p>(b) Has asset performance and condition been assessed?</p> <p>(c) Does the asset management plan include an asset register and plans of asset system components?</p> <p>(d) Does the register record asset type, location, material and an assessment of assets' physical/structural condition?</p> <p>(e) Are systems in place to assess asset and practice efficiency?</p> <p>(f) Assets assessed for capability and deficiencies of current assets to meet performance requirements?</p> <p>(g) Are practices covering operating rules and maintenance documented?</p>	<p>The asset management plan documents the asset system components.</p> <p>The asset management plan contains an asset register that describes when the asset system was constructed, the asset system components and a rating system to assess the condition of each component.</p> <p>Yes. See (b) above.</p> <p>See (b) and (c) above.</p> <p>The plans of the system are also kept on file within the Shire office.</p> <p>The "Complaints Register" determines the performance indicators but no system is in place to determine practice efficiency.</p> <p>The system is performing below its design capacity and is meeting all performance requirements. The primary oxidation pond has been identified as needing works to avoid this leading to deficiencies in the asset system.</p> <p>The current operating and maintenance practices are thoroughly documented in the asset management plan</p>	<p>Adequate</p> <p>Adequate</p> <p>Adequate</p> <p>Adequate</p> <p>Largely adequate</p> <p>Adequate</p> <p>Adequate</p>

Activity	Assessment Instrument /Key Outputs & Performance	Systems and Procedures Established to Comply with each Obligation	
		Performance	Performance
<u>Asset system analysis</u> <u>Cont'd</u>	(i) <i>Do maintenance plans cover preventative and corrective maintenance?</i>	The documented maintenance plans cover corrective and minor preventative maintenance.	Adequate
	(j) <i>Are actual assets and human resources appropriate for performance requirements?</i>	The human resources have been allocated to undertake the non critical preventative maintenance as well as corrective maintenance documented in the asset management plan, meeting the performance requirements.	Adequate
	(l) <i>Do operation and maintenance practices reflect performance targets?</i>	Yes.	Adequate
	(m) <i>Are costs measured and recorded?</i>	Yes. All costs associated with the system are recorded.	Adequate
	(n) <i>Is the level of maintenance justified against replacement costs?</i>	The capacity of the system is greater than the current usage	Adequate
	(o) <i>Is the asset under-utilised?</i>	Yes. The size and simplicity of the system does not warrant any higher level of maintenance.	Adequate
	(p) <i>Has the asset been inspected?</i>	The areas in which failure can be critical, such as the pumps, are maintained on a regular basis.	Adequate
	(q) <i>Is the asset's theoretical life known?</i>	The asset system is inspected as indicated in the asset management plan.	Adequate
	(r) <i>Does the asset management plan enable the prediction of asset deterioration and failure?</i>	Estimates of the theoretical life of the assets are included in the asset management plan.	Adequate
		The asset management plan includes the theoretical life and condition of the assets.	Adequate
		Assets such as the electrical switchboard have no other real means of indicating deterioration or failure except regular maintenance and inspection which is being carried out.	Adequate

Activity	Assessment Instrument /Key Outputs & Performance	Systems and Procedures Established to Comply with each Obligation	Performance
<u>Risk analysis and contingency planning</u>	<p>The assessment instrument used was to examine the build up of sludge and reforming of the oxidation ponds and the contingency plans in place.</p> <p>(a) <i>Has a risk assessment of the asset been conducted?</i></p> <p>(b) <i>Has the probability and consequences of asset failure been identified?</i></p> <p>(c) <i>Are appropriate contingency plans in place?</i></p> <p>(d) <i>Is risk management practiced?</i></p>	<p>A risk assessment has been undertaken as part of the Asset Management Plan which investigated the theoretical life, the condition, and the importance of each component.</p> <p>The recommendation to remove sludge from the primary oxidation pond was a result of the risk assessment.</p> <p>The probability has not been identified but at the same time measures have been taken into account that would reduce the probability of failure occurring.</p> <p>The consequences have been identified and incorporated into the operation and maintenance plans.</p> <p>As mentioned above the contingency plans are in place for the reforming and removal of sludge from the primary oxidation pond with the construction of an additional bypass pond.</p> <p>Yes. The maintenance and operational plans include items such as the regular preventative maintenance of vital components.</p>	<p>Adequate</p> <p>Adequate</p> <p>Adequate</p> <p>Adequate</p>
<u>Financial Planning</u>		<p>Through discussions with the Shire's CEO , demonstrate that financial planning is being implemented as a component of the asset management system.</p> <p>(a) <i>Does the financial plan provide projections of operating statements (profit and loss) and statement of financial position (balance sheets)?</i></p> <p>(b) <i>Does the financial plan cover the financial objectives and strategies and actions to achieve the objectives?</i></p> <p>(c) <i>Does the financial plan identify the source of funds for the capital expenditure plan?</i></p>	<p>Yes.</p> <p>Yes.</p> <p>Yes. The source of funds for the capital expenditure plan is from rates revenue.</p>

Activity	Assessment Instrument /Key Outputs & Performance		Systems and Procedures Established to Comply with each Obligation	Performance
	(a) Is the source of funds for operations, maintenance and administration identified in the financial plan?	(e) Does the financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period?		
Financial Planning Cont'd	<p>(f) Does the financial plan provide for the operations and maintenance, administration and capital expenditure requirements of the scheme?</p>	<p>The income on the scheme has been identified as a similar annual increase in line with historical records. The actual increase in income may differ from this prediction due to the commencement of mining activity in the Shire within the next two years.</p> <p>Yes the scheme is satisfactorily supported by the revenue obtained through rates and subsidies.</p>		<p>Adequate</p> <p>Largely Adequate</p> <p>Adequate</p>
Capital Expenditure Planning	<p>(a) Has a capital expenditure plan been prepared?</p> <p>(b) Does the plan cover the issues to be addressed, the actions proposed, the centre of responsibilities, and deadline dates?</p> <p>(c) Does the plan provide reasons for capital expenditure and timing of expenditure?</p>	<p>Assess whether capital expenditure associated with the replacement of the oxidation pond has been included in capital expenditure planning.</p> <p>Basic information has been outlined for Capital Expenditure within the Asset Management Plan as was available at the time of preparation. The document includes the funds required to carry out the recommendations that the primary oxidation pond be reformed and de-sludged.</p> <p>For a scheme of this size it has been determined that all such issues would be dealt with by the CEO or Deputy CEO.</p> <p>Deadline dates are only indicated for the financial year in which the actions are proposed.</p> <p>For the installation of the additional oxidation pond the cost will require Council approval.</p> <p>Basic information has been outlined for Capital Expenditure within the Asset Management Plan including the expenditure on the oxidation pond that was a result of a recommendation of the document.</p>		<p>Adequate</p> <p>Adequate</p> <p>Adequate</p>

Activity	Assessment Instrument /Key Outputs & Performance	Systems and Procedures Established to Comply with each Obligation	Performance
<u>Capital Expenditure Planning Cont'd</u>	(a) Is the capital expenditure plan consistent with the asset life and condition identified in the asset management plan?	The capital expenditure is consistent with the maintenance of the system as described in the Asset Management Plan. The system has previously had no failures of major asset components.	Adequate
<u>Review</u>	(a) Is a review process in place to ensure that asset management plans are kept current? (b) Are the asset management plans current?	The current Asset Management Plan has an outlook of five years. The Shire undertakes an annual 5-year Principle Activity Plan that reviews the Sewerage Scheme and incorporates any customer feedback with that provided by the maintenance staff. There is no documented process to review the asset management plan in conjunction with the Principle Activities Planning process. The asset management plan is less than 3 months old and forms a current document. The document includes the maintenance recommendations within the Capital Expenditure section.	Largely Adequate

8. ASSET MANAGEMENT SYSTEM – SPECIFIC FINDINGS AND RECOMMENDATIONS

8.1 ASSET MANAGEMENT

The Asset Management Plan(AMP) that was reviewed at the Shire of Ravensthorpe has not been submitted to the Office of Water Regulation but identifies and clearly states the condition of the asset components. It has clearly defined Operation and Maintenance Plans that suit a scheme of the scale encountered at Ravensthorpe. All contact numbers and details are current and address the strategic objectives of the Customer Service Charter.

Asset Management is being undertaken with both corrective and preventative maintenance plans that are documented and practiced. The level of management is reflected in the very low number of calls and complaints and the excellent level of response. The performance requirements are documented in the Customer Service Charter and also in the AMP, and are being met by the Shire.

Recommendations are contained within the asset management review section below.

8.2 RISK ANALYSIS AND CONTINGENCY PLANNING

A risk analysis of the asset components has been undertaken as part of the AMP and Customer Consultation process. The age, type, location, condition of the scheme assets have been documented and the importance of each component is detailed.

The risk analysis identified that the primary oxidation pond requires the removal of sludge to maintain the asset and performance levels. The proposed method involves the construction of an additional oxidation pond within the treatment land reserve. This work is in the preliminary stage of obtaining estimates and prioritising the works within the principle activities plan for the Shire.

The pumps have been identified in the AMP as an area of risk and have been undergoing a documented maintenance regime.

An ongoing risk analysis also draws upon the customer consultation, clearing any slow flowing pipes or blockages.

8.3 CAPITAL EXPENDITURE PLANNING

The capital expenditure to replace the oxidation pond is documented within the AMP's 5 year horizon and is also included in the Shire budget. The scheme has historically required no large capital expenditure due to its simplicity, the age of the system, and the maintenance practices of the Shire.

A review of the capital expenditure is a vital part of the Principle Activities Plan and is undertaken on an annual basis.

Any capital expenditure is covered by the revenue raised by the scheme.

8.4 REVIEW OF ASSET MANAGEMENT PLAN

The following comments are advisory only and are suggestions for the Shire to consider in consultation with OWR.

The AMP has a nominal planning horizon of five years which is sufficient but should be updated in a documented process of review. The current level of review is that undertaken during the principle activity planning process, such that the oxidation pond has been included within the capital expenditure plan. This is seen as largely adequate but requires to be formalised by the Shire Council.

An annual review of the AMP document should be undertaken to ensure that its currency is maintained. Corresponding document control procedures would need to be implemented to identify the currency of the plan being examined.

8.5 CONCLUSIONS

The Shire's Asset Management System is founded on a good asset management plan prepared. The asset components are well documented and the operation and maintenance plans are thorough. The Asset Management Plan is to be submitted to the OWR for approval to comply with Clause 4 of the Operating Licence.

Recommendations resulting from the risk assessment within this document concerning the rebuilding and removal of sludge from the primary oxidation pond are currently being acted on by the Shire.

The scheme has in place preventative maintenance practices that address the areas of risk within the system, and corrective action such as unblocking sewerage pipes is being undertaken such that the performance requirements continue to be met.

An appropriate documented review process should be formally adopted to retain currency of the AMP, especially at the completion of the construction of the new oxidation ponds. With these actions the Shire will have in place an asset management system that will meet their strategic objectives and the aims of the licence.

APPENDIX A

LIST OF REFERENCES

LIST OF REFERENCES

The following references were used during the preparation of this report:

1. Operating Licence (Sewerage Services) for the Shire of Ravensthorpe – 21/05/97
2. Shire of Ravensthorpe – Sewerage Scheme Customer Service Charter – Unsubmitted
3. Shire of Ravensthorpe – Ravensthorpe Sewerage Scheme Asset Management Plan – Unsubmitted
4. Statement of Financial Position at 30 June 1999
5. Operating Statement for the year ended 30 June 1999
6. Statement of Cash Flows for the year ended 30 June 1999.
7. Shire of Ravensthorpe Budget for year ending 30 June 2000.
8. Shire of Ravensthorpe Customer Complaints Register
9. Shire of Ravensthorpe – Performance Indicator Report – 09/08/99
10. Shire of Ravensthorpe – Performance Indicator Report – 03/99
11. Fluid Equipment Service Report for the Shire of Ravensthorpe – January 1998
12. Water Corporation Schedule of Minimum Rates 1999/2000
13. Local Government Act 1995 – Section 6.37 Specified Area Rates.
14. Application to construct or install an apparatus for the treatment of sewerage – Health Act 1911 – Health (Treatment of sewage or disposal of effluent and liquid waste) regulations 1974.