
Shire of Victoria Plains 2005 Operational Audit and Asset Management System Review

Final Report



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Shire of Victoria Plains 2005 Operational Audit & Asset System Review
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PREPARATION, REVIEW AND AUTHORISATION

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Background

The Shire of Victoria Plains 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 Victoria Plains to provide Non-potable Water Supply Services in the operating areas that are centred on the township of Victoria Plains. The Economic Regulation Authority (the Authority) monitors the operational performance of the Shire of Victoria Plains against its Operating Licence.

The Shire of Victoria Plains operates two sewerage schemes, located in the townships of Calingiri and Yerecoin, and was established in 1981 and 1983 respectively. Both schemes are gravity driven septic tank effluent disposal systems. The modus operandi is that the customer's septic tank provides initial treatment with the effluent being collected in the Shire's reticulation system with treatment at oxidation ponds. Collectively the scheme consists of approximately 2,700 metres of sewerage reticulation mains with 3 oxidation ponds serving 113 properties (Calingiri 89, Yerecoin 24) and a population of 175 (Calingiri 142, Yerecoin 32).

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 Victoria Plains to maintain those quality and performance standards that are referred to in the Shire of Victoria Plains' Operating Licence.

Section 36 of the *Water Services Coordination Act 1995*, and Clause 6 of the Attachment to the Shire of Victoria Plains' Operating Licence, requires the Shire of Victoria Plains 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 Victoria Plains 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 Victoria Plains to provide the Authority with a report by an independent expert on the effectiveness of the asset management system.

The Shire of Victoria Plains, 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 Victoria Plains' systems and effectiveness of processes used to ensure compliance with the standards, outputs and outcomes which are:

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

The scope of the asset management review was to provide an opinion to the Authority on whether the Shire of Victoria Plains 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,

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- the identification, development and implementation of strategic initiatives to improve the effectiveness of asset management, and
- the Shire of Victoria Plains'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 Victoria Plains 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 31st October 1999 to 31st October 2002.

Overview of Compliance Performance

It is the auditors' professional view that the Shire of Victoria Plains is achieving a good to excellent 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:

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

Clause	Standard	Compliance
Clause 2(b)	Operating Area Schedule	Excellent
Clause 6	Asset Management	Good to Excellent
Clause 8	Technical Standards	N/A
Clause 9	Industry Standards	Good
Clause 10	Accounts	Good
Clause 11	Prices or charges	Good
Clause 12	Methods or principles to be applied in the provision of Water Services	Good
Clause 14	Specific information to be provided	Good

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

Excellent:

Exceeds requirements

Good:

Meets requirements

Largely Adequate:

Meets requirements – improvement suggested

Inadequate:

Does not meet the requirement

N/A:

Not applicable

Operational Audit Conclusion

The level of compliance found in Operational Audit during the audit period indicates that the Shire of Victoria Plains is undertaking the necessary measures to maintain those quality and performance at high standards referred to in the Shire of Victoria Plains' Operating Licence.

The audit has determined that the Shire of Victoria Plains's Asset is in compliance with the licence requirements.

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

There is an Asset Management Plan for the Victoria Plains Sewerage Scheme which is deemed to be adequate for the extent and complexity of the scheme. A number of enhancements to the Asset Management Plan are necessary to ensure that the Plan provides for all aspects of asset predominantly risk management and a contingency plan. The review revealed that the Shire of Victoria Plains's assets present to a good to excellent standard relevant to the scale of operations undertaken. This reflects well on the level of management and operating skill and commitment devoted to the operation of the areas under licence to Shire of Victoria Plains. The results of the assessment of the relevant standards outputs and outcomes is summarised in the table that follows overleaf.

The review to closeout the recommendations from the previous audit showed that good progress has been made in all aspects previously commented on. The exception was that no formal risk assessment or contingency plan was conducted.

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.	Good
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.	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.	Excellent
Review	Review of the asset management plan assists to ensure the effective development and operation of asset management plans.	Excellent

Statement of Declaration

This report has been prepared in accordance with the Audit Plan approved by the Authority. The audit and review findings reflect the professional opinion of the Lead Auditor.

The Shire of Victoria Plains is achieving adequate standards and quality in the operational aspects of its Operating Licence. This report has identified some instances (mainly with regard to risk assessment) in which Shire of Victoria Plains's compliance with Licence requirements may be improved.

The review revealed that no risk assessments have been conducted or a contingency plan developed. Performance of the wastewater treatment system has been good, which indicates an appropriate level of assets for the customers.

A risk assessment needs immediate attention, with particular reference given to environment, occupational health and safety, finances and possible failure of asset. This is the main area of non-compliance and once the risk assessment has been conducted, the licence compliance will be significantly improved.

A handwritten signature in black ink that reads "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 Victoria Plains, 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 Victoria Plains to maintain those quality and performance standards referred to in the licence, and
- the effectiveness of processes implemented by the Shire of Victoria Plains 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 Victoria Plains and the Authority, Naomi Hill undertook the on-site component of the audit and review on the 29th November 2005.

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

2 Objectives and Scope

2.1 Operational Audit

In accordance with Section 37 (1) of the *Water Services Coordination 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 Victoria Plains to maintain those quality and performance standards which are referred to in the Shire of Victoria Plains' Operating Licence.

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

2.2 Asset Management System Review

The *Water Services Coordination Act 1995* also requires that the Shire of Victoria Plains provide for and maintain an asset management system. The system must set out the measures to be taken by the Shire of Victoria Plains 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 Victoria Plains 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 Victoria Plains'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)							
		C 1	C 2	C 3	O				
OPERATING AREAS									
Water Services in designated operating area	<i>Sched 1</i>	1	1	2	1	E	Nil	Strong	≥ 5
CUSTOMER COMPLAINTS									
Recorded	<i>Clause 20(a), (b)</i>	2	1	1	1	B	Low	Strong	≥ 5
Investigation, conciliation & arbitration	<i>Clause 20</i>	3	2	2	2	C	Low	Strong	≥ 5
Responsiveness (eg solution within 21 days)	<i>Sched 2 sec 4</i>	3	2	2	3	C	Medium	Strong	4
CUSTOMERS									
Charter in place, reviewed and followed	<i>Clause 19</i>	1	3	2	3	D	Medium	Weak	3
Ongoing consultation and feedback established	<i>Clause 18</i>	1	3	2	2	C	Low	Strong	≥ 5
WATER SERVICES PROVISION									
Conditions for connection followed	<i>Clause 4</i>	2	2	2	2	D	Low	Strong	≥ 5
Availability	<i>Clause 12(b)</i>	2	2	2	2	E	Low	Strong	≥ 5
Discontinuance	<i>n.a.</i>								
Billing	<i>n.a.</i>								
INFO PROVIDED TO AUTHORITY									
Customer complaints (12 monthly)	<i>Sched 3</i>	1	1	2	1	D	Nil	Weak	≥ 5
Quarterly reports	<i>n.a.</i>								
Annual Benchmarking report	<i>Sched 3</i>	1	1	3	2	D	Low	Strong	≥ 5
Incidents (reported within 5 days)	<i>Clause 14</i>	2	2	3	2	C	Low	Weak	≥ 5
CONTRACTING OF SERVICES									
Maintenance of Licence Standards	<i>Clause 12</i>	3	3	3	3	D	Medium	Strong	4
STANDARDS									
Adherence to Regulation	<i>Clause 5</i>	3	3	3	3	C	Medium	Strong	4
Adherence to technical standards	<i>Clause 8</i>	2	2	3	3	E	Low	Strong	≥ 5
Adherence to industry codes	<i>Clause 9</i>	2	2	3	3	E	Low	Strong	≥ 5
Accounting records – prepared to standard	<i>Clause 10</i>	2	2	3	3	D	Medium		4
Pricing and charges – approval of Authority	<i>Clause 11</i>	2	2	2	2	D	Low	Strong	≥ 5
Services provided by agreement documented	<i>Clause 12</i>	3	3	3	3	D	Medium	Strong	≥ 5
Obligations to other licensees adhered to	<i>n.a.</i>								
Customers advised re planned disruptions	<i>As per charter</i>	3	3	3	3	C	Medium	Strong	4
Customers contacted re emergency shutdowns	<i>As per charter</i>	3	3	3	3	C	Medium	Strong	4
Emergency telephone service operational	<i>Clause 15(c)</i>	3	3	3	3	C	Medium	Strong	4
STANDARDS SPECIFIC TO:									
DRINKING WATER									
Quality	<i>n.a.</i>								
Pressure and flow	<i>n.a.</i>								
Interruptions	<i>n.a.</i>								
Drought response	<i>n.a.</i>								
Leaks and bursts	<i>n.a.</i>								
NON-POTABLE WATER									
Annual notification water not safe for drinking	<i>Clause 15(b)</i>	3	3	3	3	D	Medium	Strong	4
SEWERAGE									
Overflows	<i>Clause 15(d), Sched 2</i>	3	3	3	3	C	Medium	Weak	3
Blockages	<i>Clause 15(e), Sched 2</i>	3	3	3	3	C	Medium	Weak	3
IRRIGATION									
Quality	<i>n.a.</i>								
Supplied when required	<i>n.a.</i>								
Monitoring of consumption is accurate	<i>n.a.</i>								

4 Methodology

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 Victoria Plains' 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 Victoria Plains' 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 Victoria Plains' Customer Charter for Wastewater Services;
 - relevant Policies and Procedures established by the Shire of Victoria Plains 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 Victoria Plains' 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 Victoria Plains 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 Victoria Plains, enabling comparison with requirements of the Operating Licence;
- consultation and discussions with Authority representatives (where necessary, within each of the four audit phases);
- discussions and interviews with key staff of the Shire of Victoria Plains (within each of the four audit phases);
- observation of processes / procedures and operations;
- analysis of the extent to which the Shire of Victoria Plains' 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 Victoria Plains in meeting the requirements relating to the provision of services;

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- 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 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 Victoria Plains' 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 Victoria Plains' 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 Victoria Plains;
- observation of processes / procedures and operations;
- analysis of the Shire of Victoria Plains' information systems supporting its asset management system;
- technical analysis of a sample of transactions or data relating to the Shire of Victoria Plains' asset management system;
- field inspections and observation of work sites relating to the provision of the Shire of Victoria Plains' 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 Victoria Plains' 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.

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.

On site activities were conducted on the 29th November 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 Victoria Plains on the adequacy and effectiveness of the system.

6 Staff Resources

6.1 Shire of Victoria Plains Representatives

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

Trevor Walker	Environment Health Officer (EHO)
Alan Kent	Works Manger
Fiona Watson	Executive Assistant
Harry Hawkins	Chief Executive Officer
Neil Hamilton	Finance and Administration Manager

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 2002 Operational Audit and Asset Management System Review was reviewed and all recommendations and non-compliance issues were discussed during the audit meeting. The Shire has done exceptionally well to close off most of the actions. The only action outstanding is to conduct a risk assessment and to conduct a Contingency Plan.

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 Victoria Plains 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 Victoria Plains provides its water services?	Trevor Walker	Excellent	Sighted. Asset Management Plan (AMP) and license The Shire of Victoria Plains utilises the following Plan Numbers as the primary reference to the Operating Area in which it provides water services. WR-OA-097 (B) Yerecoin OWR-OA-043 (B) Calingiri	None
Clause 6 Asset Management System	Is there an Asset Management System in place for the water service assets of the Shire of Victoria Plains?	Trevor Walker	Excellent	Sighted. Shire of Victoria Plains Wastewater Scheme AMP (2004)	None
	Have the details of the system, and any changes, been forwarded to the Authority?	Trevor Walker	Excellent	Sighted letter from Authority dated 17/8/05 stating they received it in 2/04.	None
	Does the system set out the measures to be taken by the Shire of Victoria Plains for the proper maintenance of its assets and the undertaking, maintenance and operation of water service works?	Trevor Walker	Good	Sighted chapter 7 of the AMP	None
	Has the information on maintenance activities been collected and recorded in accordance with documented procedures?	Trevor Walker	Good	Sighted that maintenance schedule is being followed.	None
	Are the procedures understood by staff?	Trevor Walker and Alan Kent	Good	EHO and Works Manager.	None
Clause 8	Does the Shire of Victoria Plains comply with the technical standards for the	Trevor Walker	N/A	N/A	None

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Technical Standards	provision of and the undertaking, maintenance and operation of Water Services works as published in the Government Gazette?				
	Is the Government Gazette readily available and reviewed?	Trevor Walker	N/A	Electronic notification received.	None
Clause 9 Industry Standards	Does the Shire of Victoria Plains observe the <i>Sewerage Code of Australia WSA 02 1999</i> when designing/constructing works?	Trevor Walker	Good	"Shire adopts the relevant Code". Sighted Council meeting minutes Nov 2003 stating that the Shire will implement Code for future works.	None
Clause 10 Accounts	Are the Shire of Victoria Plains's accounts consistent with the requirements of the <i>Local Government Act 1995</i> ?	Trevor Walker	Good	Yes. Haines Norton audit letter 04/05 FY received 28/11/05.	None
	Does the Shire of Victoria Plains 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?	Trevor Walker	Good	Schedule in Community Amenities collectively.	None
Clause 11 Prices or charges	Do the prices and charges set by the Shire of Victoria Plains comply with the <i>Health Act 1911</i> and the <i>Local Government Act 1995</i> ?	Trevor Walker	Good	Yes. Haines Norton audited the accounts in Sep 2005 which confirm this	None
Clause 12 Methods or principles to be applied in the provision of Water Services	How does the Shire of Victoria Plains ensure that water services provided on its behalf comply with the terms and conditions of the Licence and relevant legislation?	Trevor Walker	Good	Viewed Licence and seen requirements are met.	None

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	How does the Shire of Victoria Plains ensure that its water services are available for connection on request to any land within the Operating Area?	Trevor Walker	Good	The scheme is already in and if new connections arise then they will be connected.	None
	How does the Shire of Victoria Plains ensure that the services it supplies are safe, reliable and financially viable?	Trevor Walker	Good	By 6 monthly inspection, flushing, bank maintenance, pest control.	None
Clause 14 Specific information to be provided	Has the Shire of Victoria Plains informed the Authority within five days of any overflows from wastewater/sewerage infrastructure?	Trevor Walker	N/A	No overflows have occurred during this auditing period.	None
	If the Authority requested any detailed reports on overflow events, have they been provided within 14 days of the request?	Trevor Walker	N/A	No overflows have occurred during this auditing period.	None
	Has the Shire of Victoria Plains provided the information in Schedule 3 been reported to the Authority within 30 days of the end of each financial year?	Trevor Walker	Good	The Shire of Victoria Plains has completed two Schedule 3 for the 2003/04 and 2004/05 years.	None
Clause 15/Schedule 2 Performance Standards	Are customers provided with non-potable water annually notified that the water supplied is not potable?	Trevor Walker	N/A	No non-potable water is used in the Shire.	None
Overflows	Have 90% or more of customers had no sewerage overflows onto their properties?	Trevor Walker	Good	No overflows have occurred during this auditing period	None
Blockages	Were there less than 40 blockages per 100 km length of sewer?	Trevor Walker	Good	No overflows have occurred during this auditing period	None
Emergency response	Has Shire of Victoria Plains implemented an emergency telephone number? Do 90% of customers receive advice within one hour of reporting an emergency?	Trevor Walker	N/A	Sighted phone number. No emergency response has occurred, however the procedures are known by the EHO and Works Supervisor.	None

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Responsiveness to Customer Complaints	Are 90% of written customer complaints resolved within 21 days?	Trevor Walker	N/A	No complaints have occurred.	None
Clause 16 Terms and conditions of customer contracts	Have the Shire of Victoria Plains entered into agreements with customers to provide water services?	Trevor Walker	Good	No agreements with Customers have occurred.	None
	If so, have any of the terms and conditions been modified without written approval from the Authority?	Trevor Walker	Good	No.	None
Clause 17 Obligations to public authorities and other Licensees	Do the wastewater treatment plants operated by the Shire of Victoria Plains have the relevant licences from the Department of Environment and are they operated in accordance with these licences?	Trevor Walker	Good	Sighted Operating Licence and letter from the Department of Environment concerning Registration acceptance.	None
Clause 18 Consumer Consultation	Have the Shire of Victoria Plains held a public meeting or advertised for written submissions prior to making major changes to the operation of the water service?	Trevor Walker	N/A	Not made any major changes, therefore no meetings held, but would if there was reason.	None
	Does the Shire of Victoria Plains 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> ?	Trevor Walker	Good	10 minutes open question time at the beginning of each meeting.	None
Clause 19 Customer Service Charter	Does the Shire of Victoria Plains have a "plain English" Customer Service Charter?	Trevor Walker	Good	Sighted. Reviewed in 2004.	Date and version number should be included to the Customer Charter.

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	Does the Charter address all of the service issues reasonably likely to be of concern to its Customers?	Trevor Walker	Good	Yes. Customer service, employees, suppliers, lack of involvement of customer.	None
	Has the Charter been reviewed within the last three years?	Trevor Walker	Good	Yes. Last reviewed 2004	None
	Have any changes to the Charter been approved by the Authority?	Trevor Walker	Good	Sighted. Authority letter 23/9/04 confirming the Charter has been approved.	None
	How does the Shire of Victoria Plains make the Charter available to its Customers?	Trevor Walker	Largely adequate	On request and available on counter at Shire.	Shire to add note to rates notice annually.
	Does the Shire of Victoria Plains provide services that are consistent with the Charter?	Trevor Walker	Good	Yes, as indicated by lack of complaints.	None
Clause 20 Dispute Resolution	Is there a system in place for recording, managing and resolving customer complaints?	Trevor Walker	Good	Complaints register and procedure located at counter	None
	Are there officers designated to deal with complaints, and are they authorised to settle disputes, including monetary compensation where necessary?	Trevor Walker	Good	Fiona Watson: Executive Assistant is authorized to settled disputes.	None
	Are Customers made aware that they can refer any dispute between themselves and the Shire of Victoria Plains to the Water Services Planning Branch of the Department of Water?	Trevor Walker	Excellent	Yes. Customer charter and Shire public meetings.	None
	Where complaints are not resolved within 21 days, is the Customer advised of alternative forms of redress?	Trevor Walker	Good	Although no complaints were received, staff had a comprehensive understanding of the procedure documented in the Customer Charter.	None

9 Summary of Operational Audit Findings

Overall, the Shire of Victoria Plains's compliance with licence conditions was good to excellent, with no non-compliances. The EHO has done an exceptional job in the management of this asset. The following section provides some recommendations in regard to improvement.

9.1 Customer Service Charter (Clause 19)

The Charter has been reviewed; however, a date and version number should be included to validate the version number. The Shire is also required to provide the Customer Charter to the customers annually. It is suggested that the Shire should include a note with the rates notice.

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.

10.3 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?	Sighted in AMP	Excellent
b.	Have the life cycle costs been considered?	Yes. Documented in the AMP is the Capital Expenditure Application that has been calculated from the net present value (NPV) for each asset.	Good

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Item No.	Test	Comments	Effectiveness
c.	Has the need for new assets been determined and full project evaluation processes been followed, including comparative assessment of non-asset solutions?	The need for new assets is driven primary due to future demand, levels of service and operational improvements. However, was not required due to a stable population. Sighted in AMP	Largely adequate
d.	Have documents recording relevant details on the asset been collected?	Yes. A summary of the relevant details is included within the current AMP.	Largely adequate
e.	Do assets reflect the objectives identified in the asset creation/acquisition phase?	Yes. Sighted in AMP.	Good
f.	Are actual costs as predicted?	Yes. Sighted in AMP.	Good

Overall Comment

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

10.4 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?	Yes. The performance requirements are defined within the current operating licence, and water quality objectives are noted within the AMP and Customer Charter.	Good
b.	Are the asset system objectives documented?	Yes. Service delivery objectives are defined in the Operating Licence. The AMP and Customer Charter specifically addresses the system objectives.	Good
c.	Have the opportunities and threats in the system environment been assessed?	No. No formal risk assessment has been undertaken with remedial actions and contingency plans	Inadequate
d.	Are regulatory obligations and statutory/regulatory requirements documented?	Yes, in AMP	Good
e.	Is the asset meeting the level of service required by users of the service?	Yes. There have been no written complaints reflecting that the asset is meeting the required level of service.	Good
f.	Do the assets meet regulatory requirements?	Yes. The AMP documents the performance requirements for the assets as set out in the Water Services Operating Licence.	Excellent

Overall Comment

This AMP provides good documentation of the asset system environment; however opportunities and threats need to be assessed.

10.5 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. AMP	Good
b.	Has the asset performance and condition been assessed?	Yes. 2004 the Assets were assessed and documented the AMP.	Good
c.	Does the asset management plan include an asset register and plans of asset system components?	The asset register with the AMP provides much of the necessary data except for location.	Good
d.	Does the register record asset type, location, material and an assessment of assets' physical/structural condition?	There is no measurement method in place for the assessment of efficiency/capacity, however monitoring of the outcome of each item is considered sufficient means of efficiency monitoring.	Good
e.	Are systems in place to assess asset and practice efficiency?	Based on maintenance, complaints/breakdown and 5 year AMP review.	Good
f.	Assets assessed for capability and deficiencies of current assets to meet performance requirements?	Complaints and overflows are used to measure performance.	Good
g.	Are practices covering operating rules and maintenance documented?	Sighted AMP.	Largely adequate
h.	Do maintenance plans cover preventative and corrective maintenance?	Sighted in the AMP.	Good

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Item No.	Test	Comments	Effectiveness
i.	Are actual assets and human resources appropriate for performance requirements?	The level of asset development and 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. Practices are appropriate for scale and value of assets.	Good
k.	Are costs measured and recorded?	Yes. Costs are measured and recorded in the AMP and Financial Report for 2004 FY	Excellent
l.	Is the asset under-utilised?	No. Utilised in accordance with design. There was no evidence of underutilisation of system assets, as the assets has been developed for the Town size with the capability to add more sewage .connections	Good
m.	Is the level of maintenance justified against replacement cost?	Yes. Documented in AMP	Good
n.	Has the asset been inspected?	Yes. Sighted. 2004 Sewage Scheme Asset Management Plan	Good
o.	Is the assets' theoretical life known?	Yes. Sighted AMP	Good
p.	Does the assest 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.	Good
q.	Do the maintenance plans and operational plans relate to what is required to achieve the levels of service required of the system?	Yes. Sighted basic principals of operation and maintenance within the AMP	Good

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

Shire of Victoria Plains 2005 Operational Audit & Asset System Review
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, however informal risk assessments (training, experience and OHS requirements reviewed but not documented.	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 level. An overflow and emergency procedure needs to be documented

10.6 Financial Planning

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

Item No.	Test	Comments	Effectiveness
a.	Does the Financial Plan provide projections of operating statements (profit and loss) and statement of financial position (balance sheets)?	Sighted. Shire of Victoria Plains Budget and total operating costs. The sewage scheme was profitable. Sighted Balance sheets	Good
b.	Does the financial plan cover the financial objectives and strategies and actions to achieve the objectives?	Yes. Contained within the Mission Statement.	Good
c.	Does the financial plan identify the source of funds for the capital expenditure plan?	Yes, sighted in financial plan.	Good
d.	Are the sources of funds for operation, maintenance and administration identified in the financial plan?	Sighted Budget.	Good
e.	Does the financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period?	Yes, sighted the predictions in the AMP.	Good
f.	Does the financial plan provide for the operation and maintenance, administration and capital expenditure requirements of the scheme?	Yes, costs associated with maintenance, administration and capital expenditure have all been considered.	Good

Overall Comment

Financial planning is good.

10.7 Capital Expenditure Planning

The capital expenditure plan provides a schedule of new works, rehabilitation and replacement works, together with estimated annual expenditure on each over the next five or more years. This can be expressed as a schedule of projected annual expenditures offset by possible income from asset disposal, supported by documentation of the reasons for the decisions and evaluation of alternatives and options.

Item No.	Test	Comments	Effectiveness
a.	Has a capital expenditure plan been prepared?	Yes. AMP and Budget and \$5000 for septic	Excellent
b.	Does the plan cover the issues to be addressed, the actions proposed, the centre of responsibilities, and deadline dates?	Yes. AMP	Excellent
c.	Does the plan provide reasons for capital expenditure and timing of expenditure?	Yes. AMP	Excellent
d.	Is the capital expenditure plan consistent with the asset life and condition identified in the asset management plan?	Yes. The life expectancy and actual condition have been considered in the AMP.	Excellent

Overall Comment

The capital expenditure planning is operating at an excellent level.

10.8 Review of Asset Management Plan

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

Item No.	Test	Comments	Effectiveness
a.	Is a review process in place to ensure that asset management plans are kept current?	Sighted. Last reviewed in 2004.	Excellent
b.	Are asset management plans being reviewed at appropriate intervals?	Yes. Every 5 years.	Excellent
c.	Are the asset management plans current?	Yes. Sighted 2004 AMP	Excellent

Overall Comment

The AMP review process is very proficient and is current. The AMP is current considered to be excellent.

11 Summary of Asset Management Review Findings

11.1 Introduction

The 2005 Asset Management System audit is the third external assessment undertaken on Victoria Plains'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 2002.

The Asset Management Plan was reviewed in January 2004.

The Asset Management System is adequate for the size of the Shire of Victoria Plain's wastewater treatment system because the systems are small and simple. The lack of complaints and breakdowns is an indication of the adequacy of the system in place. The financial planning and capital expenditure planning are also good, with the capital expenditure planning underpinned by a sewerage reserve fund.

The AMP, along with the Customer Charter, detail the level of service the customer can stand to expect from the Shire of Victoria Plains.

11.2 Specific Findings and Recommendations from Current Review

11.2.1 Asset Planning/Creation/Acquisition

This area of the asset management system is operating at an acceptable level due to the size of the system and that the population is constant and is expected to remain so for the next 5 years.

Assessment: Good.

11.2.2 Environmental Analysis

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

Recommendation

Opportunities and threats need to be assessed and documented.

Assessment: Good.

11.2.3 Asset Management System Analysis

The AMP was reviewed in January 2004 and is an excellent document with clearly written operation and maintenance plans, as well as an up to date and comprehensive asset register which also has an indication of the asset condition and scheduled replacement date.

Assessment: Good.

11.2.4 Risk Analysis and Contingency Planning

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.

Recommendation

Conduct a risk assessment and develop a contingency plan.

Assessment: Inadequate.

11.2.5 Financial Planning

The financial plan fully supports the identified needs of Shire of Victoria Plains' asset base for a four-year time horizon with a population that is expected to remain constant over that period. The annual budget outlines the income and expenditure for the wastewater treatment system.

Assessment: Good.

11.2.6 Capital Expenditure Plan

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

11.2.7 Review

The Asset Management Plan and the Customer Charter have been reviewed since the last audit was undertaken and have been submitted to the Authority for approval.

The Licence stipulates that the AMP and Charter should be reviewed no later than every 36 months.

Recommendation

The AMP and Charter should be reviewed every 12 months at the same time as the annual budget, and updated as necessary. They should be updated within every 36 months.

Assessment: Excellent.

12 References

- Shire of Victoria Plains Sewerage Schemes Asset Management Plan January 2004
- Shire of Victoria Plains Customer Services Charter for Wastewater Services 2004
- Letter from DoE re: Registration Application
- Shire of Victoria Plains Supplementary Information Forming Part of the Budget for the year ended 30th June 2005
- Shire of Victoria Plains's Community Amenities Financial Statement for the Period Ending 30/6/05