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**Shire of Wickepin**  
**2005 Operational Audit and**  
**Asset Management System Review**

**Final Report**

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January 2006

## DOCUMENT RELEASE INFORMATION

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# Executive Summary

## Background

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

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

The Wickepin sewerage system consists of approximately 5,000 metres of sewerage reticulation, 720 metres of rising mains, a single pump station in a duty/standby configuration and two oxidation ponds.

In accordance with Section 37 (1) of the *Water Services Licensing Act 1995*, operational audits are required to be undertaken not less than once in every 36 month period, or more frequently if the Authority so directs the Licensee. The primary role of this audit is to provide the Authority with an assessment of the effectiveness of measures taken by SOW to maintain those quality and performance standards that are referred to in SOW's Operating Licence.

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

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

SOW, with the approval of the Authority, commissioned SMEC Australia to conduct the 2005 operational audit and review of their asset management system. This report documents the findings of the audit/review.

## Objectives and Scope of Audit and Review

The primary objective of the operational audit is to determine the effectiveness of measures taken by the Shire of Wickepin (SOW) to maintain those quality and performance standards which are referred to in SOW's Operating Licence. Specifically, the audit considered the systems and effectiveness of processes used by SOW to ensure compliance with the standards, outputs and outcomes required by the Licence.

The *Water Services Licensing Act 1995* also requires that SOW provide for and maintain an asset management system. The system must set out the measures to be taken by SOW for the proper maintenance of its assets and for the undertaking, maintenance and monitoring of its water services works. The Act further requires SOW to provide the Authority with a report by an independent expert on the effectiveness of the system.

The asset management system review will provide an opinion to the Authority on whether SOW has in place the appropriate systems for the planning, construction, operation and maintenance of its water services works. In reaching this opinion, the review examined;

- the adequacy of the asset management system by considering the outputs of the system, such as the operations and maintenance plans, asset registers and financial plans;
- the effectiveness of the asset management system by considering the systems established for the planning, construction, operation and maintenance of works;
- whether the system provides for the identification, development and implementation of strategic initiatives to improve the effectiveness of asset management;
- the Licensee's response to the recommendations made in previous reviews (if any have been conducted).

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

## Time Frame of the Audit and Review

The audit and review covered the period from 1 December 2002 to 30 November 2005.

## Operational Audit Conclusion

Since the audit in 2003, SOW has responded positively to the recommendations made, with most of the previous recommendations having been addressed. The Operational Audit Risk Assessment identified the key risks and hence areas the auditors needed to concentrate their efforts on during the audit. The audit identified no elements of high inherent risk. The results of the assessment of the relevant standards, outputs and outcomes are summarised in the following table.

Overall, the SOW's compliance with licence conditions was mainly good, with Clause 6 (Asset Management System) and Clause 14 (Specific information to be provided) accounting evenly for the four non-compliances. This was due to the Asset Management Plan having not been updated since 1999.

The Environmental Health Officer (EHO) was not aware of some of the licence's requirements. It would be prudent for the EHO to be familiar with the licence to ensure future non-compliances are minimised.

The auditor does not believe that compliance plans are required.

### Summary Level of Compliance

| Clause/Schedule   | Standard   | Compliance Scale  |
|-------------------|--|-------------------|
| Clause 2(b)       | Operating Area Schedule  | Good              |
| Clause 6          | Asset Management   | <b>Inadequate</b> |
| Clause 8          | Technical Standards  | Good              |
| Clause 9          | Industry Standards   | Largely adequate  |
| Clause 10         | Accounts   | Good              |
| Clause 11         | Prices or charges  | Good              |
| Clause 12         | Methods or principles to be applied in the provision of Water Services | Good              |
| Clause 14         | Specific information to be provided                                    | <b>Inadequate</b> |
| Clause 15/Sched 2 | Performance Standards  | N/A               |

| Clause/Schedule | Standard  | Compliance Scale |
|-----------------|---|------------------|
| Charter         | Overflows   | Good             |
| Charter         | Blockages   | Good             |
| Charter         | Emergency response                                    | Largely adequate |
| Charter         | Responsiveness to Customer Complaints                 | Good             |
| Clause 16       | Terms and conditions of customer contracts            | N/A              |
| Clause 17       | Obligations to public authorities and other Licensees | Good             |
| Clause 18       | Consumer Consultation                                 | Largely adequate |
| Clause 19       | Customer Service Charter                              | Good             |
| Clause 20       | Dispute Resolution                                    | Good             |

|                   |  |
|-------------------|--|
| Excellent:        | Exceeds requirement                        |
| Good:             | Meets requirements                         |
| Largely adequate: | Meets requirements – improvement suggested |
| Inadequate:       | Does not meet minimum requirement          |
| N/A :             | Not applicable                             |

## Asset Management System Review Conclusion

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

The Asset Management Plan has not been updated since 1999 and a copy of the 1999 AMP could not be located at the time this audit was undertaken. Subsequently a copy of the AMP was obtained from the Authority to enable the review to be undertaken. The Environmental Health Officer (EHO) and CEO were not aware of the existence of an asset management plan for the wastewater treatment system.

This is a serious short-coming and the Shire must update the AMP as soon as possible. As part of this, a maintenance schedule and register needs to be developed, preferably in conjunction with the Works Manager, and implemented. A regular maintenance regime needs



to be implemented to ensure the customers in the Shire of Wickepin continue to receive the high level of service they currently do and to ensure the Shire receives maximum value from its assets.

The SOW is fortunate that the system is simple and robust enough not to have had any failures, as indicated by the lack of customer complaints and breakdowns. This is especially so given the fact that no regular maintenance is undertaken.

#### Summary of System Effectiveness

| Activity                               | Description  | Effectiveness Scale |
|--|--|---------------------|
| Asset Planning/Creation /Acquisition   | Asset creation/acquisition means the provision or improvement of an asset where the outlay can be expected to provide benefits beyond the year of outlay   | <b>Inadequate</b>   |
| Environmental Analysis                 | Environmental analysis examines the asset system environment and assesses all external factors affecting the asset system.   | <b>Inadequate</b>   |
| Asset System Analysis                  | Asset system analysis examines and documents the system and process for its effective operations.<br><br>Operation Plans document the knowledge of staff in the operation of assets.<br><br>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.<br><br>Assessment of the asset system analysis components included examination of the asset register. | <b>Inadequate</b>   |
| Risk Analysis and Contingency Planning | Risk analysis involves the identification of risks and management to reduce the level of risk.<br><br>Contingency plans document the steps to deal with an unexpected failure of a process, procedure or the asset management system itself.   | <b>Inadequate</b>   |
| Financial Planning                     | The financial planning component of the asset management plan brings together the financial elements of the scheme to ensure its financial viability over the long term.   | Largely adequate    |
| Capital Expenditure Planning           | The capital expenditure plan provides a schedule of new works, rehabilitation and replacement works, together with estimated annual expenditure on each over the next five   | <b>Inadequate</b>   |

| Activity | Description  | Effectiveness Scale |
|----------|--|---------------------|
|          | or more years.   |                     |
| Review   | Review of the asset management plan assists to ensure the effective development and operation of asset management plans. | <b>Inadequate</b>   |

## Statement of Declaration

This report has been prepared in accordance with the Scope and Guidelines for Water Service Licence: Operational Audit and Asset Management Reviews issued by the Economic Regulation Authority. The audit and review findings reflect the professional opinion of the Lead Auditor.

It is the Auditors' view that the Shire of Wickepin is achieving a good level of compliance with the requirements of the Operating Licence. This report has identified four instances, two each with regard to Asset Management Systems and Specific Information to be Provided, in which SOW's full compliance with Licence requirements needs to be improved.

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

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

Mark Warner  
Lead Auditor

# 1 Introduction

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

- the adequacy and effectiveness of measures taken by SOW to maintain those quality and performance standards referred to in the Licence, and
- the effectiveness of processes implemented by SOW 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 SOW and the Authority, Mark Warner undertook the on-site component of the audit and review on 7<sup>th</sup> December 2005.

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

## 2 Objectives and Scope

### 2.1 Operational Audit

In accordance with Section 37 (1) of the *Water Services Licensing Act 1995* operational audits are required to be undertaken not less than once in every 36 month period, or more frequently if the Authority so directs the Licensee.

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

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

To assist the audit process, a risk assessment was undertaken of non-compliance with licence standards, and the adequacy of internal controls. The assessments made for each process were used to determine the nature and extent of the audit tests to be carried out. Section 3 summarises the results of this risk assessment.

### 2.2 Asset Management System Review

The *Water Services Licensing Act 1995* also requires that SOW provide for and maintain an asset management system. The system must set out the measures to be taken by SOW 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 SOW has in place the appropriate systems for the planning, construction, operation and maintenance of its assets. In reaching this opinion, the review examined:

- the adequacy of the asset management system by considering the outputs of the system, such as the operations and maintenance plans, asset registers and financial plans;
- the effectiveness of the asset management system by considering the systems established for the planning, construction, operation and maintenance of works;
- whether the system provides for the identification, development and implementation of strategic initiatives to improve the effectiveness of asset management;

- the Licensee's response to the recommendations made in previous reviews (if any have been conducted).

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

### 3 Risk Assessment

| Operating Licence Compliance Element            | Operating Licence Reference  | Failure during period audited |    |    |   | Likelihood (2) | Inherent Risk (3) | Adequacy of Existing Controls (4) | Priority (5) |
|---|------------------------------|-------------------------------|----|----|---|----------------|-------------------|-----------------------------------|--------------|
|   |                              | Consequence (1)               |    |    |   |                |                   |                                   |              |
|   |                              | C1                            | C2 | C3 | O |                |                   |                                   |              |
| <b>OPERATING AREAS</b>                          |                              |                               |    |    |   |                |                   |                                   |              |
| Water Services in designated operating area     | <i>Sched 1</i>               | 1                             | 1  | 2  | 1 | E              | Nil               | Strong                            | ≥ 5          |
| <b>CUSTOMER COMPLAINTS</b>                      |                              |                               |    |    |   |                |                   |                                   |              |
| 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            |
| <b>CUSTOMERS</b>                                |                              |                               |    |    |   |                |                   |                                   |              |
| 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          |
| <b>WATER SERVICES PROVISION</b>                 |                              |                               |    |    |   |                |                   |                                   |              |
| 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>                  |                               |    |    |   |                |                   |                                   |              |
| <b>INFO PROVIDED TO AUTHORITY</b>               |                              |                               |    |    |   |                |                   |                                   |              |
| 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          |
| <b>CONTRACTING OF SERVICES</b>                  |                              |                               |    |    |   |                |                   |                                   |              |
| Maintenance of Licence Standards                | <i>Clause 12</i>             | 3                             | 3  | 3  | 3 | D              | Medium            | Strong                            | 4            |
| <b>STANDARDS</b>                                |                              |                               |    |    |   |                |                   |                                   |              |
| Adherence to Regulation                         | <i>Clause 5</i>              | 3                             | 3  | 3  | 3 | C              | Medium            | Strong                            | 4            |
| Adherence to technical standards                | <i>Clause 8</i>              | 2                             | 2  | 3  | 3 | E              | Low               | Strong                            | ≥ 5          |
| Adherence to industry codes                     | <i>Clause 9</i>              | 2                             | 2  | 3  | 3 | E              | Low               | Strong                            | ≥ 5          |
| Accounting records – prepared to standard       | <i>Clause 10</i>             | 2                             | 2  | 3  | 3 | D              | Medium            |                                   | 4            |
| Pricing and charges – approval of ERA           | <i>Clause 11</i>             | 2                             | 2  | 2  | 2 | D              | Low               | Strong                            | ≥ 5          |
| Services provided by agreement documented       | <i>Clause 12</i>             | 3                             | 3  | 3  | 3 | D              | Medium            | Strong                            | ≥ 5          |
| Obligations to other licensees adhered to       | <i>n.a.</i>                  |                               |    |    |   |                |                   |                                   |              |
| Customers advised re planned disruptions        | <i>As per charter</i>        | 3                             | 3  | 3  | 3 | C              | Medium            | Strong                            | 4            |
| Customers contacted re emergency shutdowns      | <i>As per charter</i>        | 3                             | 3  | 3  | 3 | C              | Medium            | Strong                            | 4            |
| Emergency telephone service operational         | <i>Clause 15(c)</i>          | 3                             | 3  | 3  | 3 | C              | Medium            | Strong                            | 4            |
| <b>STANDARDS SPECIFIC TO:</b>                   |                              |                               |    |    |   |                |                   |                                   |              |
| <b>DRINKING WATER</b>                           |                              |                               |    |    |   |                |                   |                                   |              |
| Quality   | <i>n.a.</i>                  |                               |    |    |   |                |                   |                                   |              |
| Pressure and flow                               | <i>n.a.</i>                  |                               |    |    |   |                |                   |                                   |              |
| Interruptions                                   | <i>n.a.</i>                  |                               |    |    |   |                |                   |                                   |              |
| Drought response                                | <i>n.a.</i>                  |                               |    |    |   |                |                   |                                   |              |
| Leaks and bursts                                | <i>n.a.</i>                  |                               |    |    |   |                |                   |                                   |              |
| <b>NON-POTABLE WATER</b>                        |                              |                               |    |    |   |                |                   |                                   |              |
| Annual notification water not safe for drinking | <i>Clause 15(b)</i>          | 3                             | 3  | 3  | 3 | D              | Medium            | Strong                            | 4            |
| <b>SEWERAGE</b>                                 |                              |                               |    |    |   |                |                   |                                   |              |
| Overflows                                       | <i>Clause 15(b), Sched 2</i> | 3                             | 3  | 3  | 3 | C              | Medium            | Weak                              | 3            |
| Blockages                                       | <i>Clause 15(e), Sched 2</i> | 3                             | 3  | 3  | 3 | C              | Medium            | Weak                              | 3            |
| <b>IRRIGATION</b>                               |                              |                               |    |    |   |                |                   |                                   |              |
| Quality   | <i>n.a.</i>                  |                               |    |    |   |                |                   |                                   |              |
| Supplied when required                          | <i>n.a.</i>                  |                               |    |    |   |                |                   |                                   |              |
| Monitoring of consumption is accurate           | <i>n.a.</i>                  |                               |    |    |   |                |                   |                                   |              |

## 4 Methodology

### 4.1 Approach

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

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

- risk assessment;
- develop Audit and Review Plan;
- site visit;
- reporting and follow-up.

This audit and review focused on the development of the SOW's systems and procedures since receiving their initial licence.

### 4.2 Task 1 - Risk Assessment

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

### 4.3 Task 2 – Develop Audit and Review Plan

This task involved the development of an Audit and Review Plan.

### 4.4 Task 3 – Site Visit

Key documents reviewed during this Task included (a full list is included in Section 12 - References);

- SOW's Customer Service Charter;
- relevant Policies and Procedures established by SOW for the provision of water services, the management of customer services and management of its performance reporting requirements;
- relevant work instructions for the provision of water services;

- SOW's customer complaints handling processes, procedures and reporting mechanisms (including the receipt, handling, resolution and reporting of customer complaints);
- Business Performance Management reports;
- any relevant Service Agreements or Memorandum of Understanding with other agencies; and
- any relevant correspondence between SOW and the Authority relating to Operating Licence requirements.

This Task required discussions with key operational and administrative staff, and observation of processes, procedures and operations.

A short Closing Meeting was held at the end of the audit with to provide an initial assessment of the audit and asset system review.

#### 4.5 Task 4 - Reporting and Follow Up

##### **Operational Audit AND Asset Management Review**

This task involved the preparation of an audit/review report that will contain;

- the audit findings, including a discussion of compliance addressing each compliance issue identified by the Authority for the audit;
- a risk assessment
- an assessment of the degree of compliance with high risk licence requirements;
- a description of the audit scope, objectives, criteria, methodology and audit key;
- the period covered by the audit and the dates on which the audit was conducted;
- the list of audit team members and an account of time spent on the audit by each member of the team;
- a list of reference documents against which the audit was conducted;
- a description of the systems and procedures which have been established to comply with each obligation, including the identification of relevant documentation;
- a list of SOW representatives participating in the audit;



### **Operational Audit ONLY**

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

### **Asset Management Review ONLY**

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

## **4.6 Compliance Key**

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

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

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

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

## 5 Period Covered by the Audit/Review

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

## 6 Staff Resources

### 6.1 SOW Representatives

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

|               |                                    |
|---------------|------------------------------------|
| Allan Ramsay  | Environmental Health Officer (EHO) |
| Alan Leeson   | CEO                                |
| Karen Rushton | Administration Assistant           |

### 6.2 Audit and Review Team

The Team comprised:

|             |              |
|-------------|--------------|
| Mark Warner | Lead 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         |
|          | <b>Total Hours</b>                                | <b>15</b> |

## 7 Review of Previous Audit Recommendations

### 7.1 Aquaterra Consulting Audit – March 2003

| Item No. | Recommendation  | Action Taken   |
|----------|---|--|
| 1        | SOW to obtain current Operating Licence.  | Done. Available on internet.<br><br>Assessment: <b>Good</b> . Closeout recommended.        |
| 2        | Future Schedule 3 forms to be submitted to OWR within 30 days of the end of the financial year.                   | Not done for 2004/05 FY<br><br>Assessment: <b>Largely adequate</b> . Closeout recommended. |
| 3        | SOW to apply for one-off registration with DoE for wastewater treatment plant.                                    | Done.<br><br>Assessment: <b>Good</b> . Closeout recommended.                               |
| 4        | Customer Service Charter should be reviewed and updated if required.  | Done. Update in 2005.<br><br>Assessment: <b>Good</b> . Closeout recommended.               |
| 5        | SOW to display Customer Charter in its foyer and Customers to be notified of its availability on an annual basis. | Done.<br><br>Assessment: <b>Good</b> . Closeout recommended.                               |
| 6        | AMP to be reviewed annually at same time as Annual Budget.  | Not done.<br><br>Assessment: <b>Inadequate</b> . Closeout not recommended.                 |
| 7        | A Maintenance Register should be established and kept up to date by appropriate staff.                            | Not done.<br><br>Assessment: <b>Inadequate</b> . Closeout not recommended.                 |
| 8        | Asset register should be updated to include the additional pond.  | Not done.<br><br>Assessment: <b>Inadequate</b> . Closeout not recommended.                 |
| 9        | Asset Register in AMP to be improved.   | Not done.<br><br>Assessment: <b>Inadequate</b> . Closeout not recommended.                 |

| Item No. | Recommendation  | Action Taken   |
|----------|---|--|
| 10       | The results of the Local Emergency Planning Review should be incorporated in the revised AMP. | Not done.<br>Assessment: <b>Inadequate</b> . Closeout not recommended. |
| 11       | Capital Expenditure Plan in AMP should be updated.  | Not done.<br>Assessment: <b>Inadequate</b> . Closeout not recommended. |

## 8 Operational Audit – Specific Compliance Issues Examined

### 8.1 Compliance Key

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

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

### 8.2 Shire of Wickepin Operational Audit Checklist

| Operating Licence Clause or Schedule            | Specific Compliance Issues/Requirements   | Auditee      | Activity Compliance | Comments/Remarks | Actions |
|---|---|--------------|---------------------|------------------|---------|
| Clause 2(b)<br><br>Operating Area<br>Schedule 1 | Does the operating area identified in Schedule 1 correspond to the area in which Shire of Wickepin provides its water services? | Allan Ramsay | Good                |                  | None    |

| Operating Licence Clause or Schedule                  | Specific Compliance Issues/Requirements   | Auditee      | Activity Compliance | Comments/Remarks  | Actions   |
|---|---|--------------|---------------------|---|---|
| <b>Clause 6</b><br><br><b>Asset Management System</b> | Is there an Asset Management System in place for the water service assets of the Shire of Wickepin?   | Allan Ramsay | Largely adequate    | No updates done since 1999.                                   | <b>Prepare an AMP immediately and submit to ERA for approval</b>                            |
|   | Have the details of the system, and any changes, been forwarded to the Authority?   |              | Largely adequate    | Not since original AMP prepared.                              | <b>Prepare an AMP immediately and submit to ERA for approval</b>                            |
|   | Does the system set out the measures to be taken by the Shire of Wickepin for the proper maintenance of its assets and the undertaking, maintenance and operation of water service works? |              | Largely adequate    | Out of date, but a maintenance schedule is listed in the AMP. | <b>Prepare an AMP immediately and submit to ERA for approval</b>                            |
|   | Has the information on maintenance activities been collected and recorded in accordance with documented procedures?   |              | <b>Inadequate</b>   | No regular maintenance done                                   | <b>A maintenance schedule and register needs to be developed, approved and implemented.</b> |
|   | Are the procedures understood by staff?   |              | <b>Inadequate</b>   | No one is aware of what regular maintenance is required.      | <b>As above</b>   |

| Operating Licence Clause or Schedule          | Specific Compliance Issues/Requirements  | Auditee      | Activity Compliance | Comments/Remarks  | Actions     |
|---|--|--------------|---------------------|---|-------------|
| <b>Clause 8</b><br><b>Technical Standards</b> | Does the Shire of Wickepin comply with the technical standards for the provision of and the undertaking, maintenance and operation of Water Services works as published in the Government Gazette?   | Allan Ramsay | Largely adequate    | Built to appropriate standards when constructed.        | <b>None</b> |
|   | Is the Government Gazette readily available and reviewed?  |              | Good                | EHO, CEO receive copy. Forwarded as necessary.          | <b>None</b> |
| <b>Clause 9</b><br><b>Industry Standards</b>  | Does the Shire of Wickepin observe the <i>Severage Code of Australia WSA 02 1999</i> when designing/constructing works?  | Allan Ramsay | Largely adequate    | Assume so, but no works have been constructed recently. | <b>None</b> |
| <b>Clause 10</b><br><b>Accounts</b>           | Are the Shire of Wickepin's accounts consistent with the requirements of the <i>Local Government Act 1995</i> ?  | Allan Ramsay | Good                | Sighted annual report. Signed off by auditor.           | <b>None</b> |
|   | Does the Shire of Wickepin prepare its accounts in a way which enables it to issue an operating statement which accurately describes its income and expenditure in relation to the Water Services provided under the Licence on an accruals basis? |              | Good                | Signed off by auditor.                                  | <b>None</b> |



| Operating Licence Clause or Schedule  | Specific Compliance Issues/Requirements  | Auditee      | Activity Compliance | Comments/Remarks  | Actions   |
|---|--|--------------|---------------------|---|---|
| <b>Clause 11</b><br><b>Prices or charges</b>  | Do the prices and charges set by the Shire of Wickepin comply with the <i>Health Act 1911</i> and the <i>Local Government Act 1995</i> ?                       | Allan Ramsay | Good                | Council has adopted it's regulations in accordance with the Local Government Act and Health Act   | <b>None</b>   |
| <b>Clause 12</b><br><b>Methods or principles to be applied in the provision of Water Services</b> | How does the Shire of Wickepin ensure that water services provided on its behalf comply with the terms and conditions of the Licence and relevant legislation? | Allan Ramsay | Good                | Council regulates and provides all water services.  | <b>None</b>   |
|   | How does the Shire of Wickepin ensure that its water services are available for connection on request to any land within the Operating Area?                   |              | Good                | Spare capacity in the system allows connections in the townsite. New connections examined as part of the Building Approval system.  | <b>None</b>   |
|   | How does the Shire of Wickepin ensure that the services it supplies are safe, reliable and financially viable?   |              | Largely adequate.   | Safe: Regular monitoring for bacteria in effluent reuse, site is fenced and kept clean.<br><br>Reliable: Regular checking occurs.<br><br>Financially viable: income and expenditure allowed for in annual budget. | <b>Regular maintenance program needs to be developed and followed. The sewerage reserve fund needs to be increased.</b> |

| Operating Licence Clause or Schedule                               | Specific Compliance Issues/Requirements   | Auditee      | Activity Compliance | Comments/Remarks   | Actions  |
|--|---|--------------|---------------------|--|--|
| <b>Clause 14</b><br><br><b>Specific information to be provided</b> | Has the Shire of Wickepin informed the Authority within five days of any overflows from wastewater/sewerage infrastructure?         | Allan Ramsay | <b>Inadequate</b>   | An overflow occurred in late November. Authority has not yet been informed. No customers affected. | <b>Authority to be informed ASAP. EHO not aware of this requirement.</b> |
|  | If the Authority requested any detailed reports on overflow events, have they been provided within 14 days of the request?          |              | N/A                 | Up until the above event, no spills have occurred.   | <b>None</b>  |
|  | Has the Shire of Wickepin provided the information in Schedule 3 to the Authority within 30 days of the end of each financial year? |              | <b>Inadequate</b>   | 2003/04 had been provided, but not the 2004/05.  | <b>Schedule 3 to be filled and submitted to Authority ASAP</b>           |
| <b>Clause 15/Schedule 2</b><br><br><b>Performance Standards</b>    | Are customers provided with non-potable water annually notified that the water supplied is not potable?                             | Allan Ramsay | N/A                 | No non-potable supplied to third parties. Effluent irrigation system organised by council.         | <b>None</b>  |
| <b>Overflows</b>   | Have 90% or more of customers had no sewerage overflows onto their properties?  |              | Good                | No overflows.  | <b>None</b>  |

| <b>Operating Licence Clause or Schedule</b>                 | <b>Specific Compliance Issues/Requirements</b>   | <b>Auditee</b> | <b>Activity Compliance</b> | <b>Comments/Remarks</b>   | <b>Actions</b> |
|---|--|----------------|----------------------------|---|----------------|
| <b>Blockages</b>  | Were there less than 40 blockages per 100 km length of sewer?  |                | Good                       | No blockages.   | <b>None</b>    |
| <b>Emergency response</b>                                   | Has Shire of Wickepin implemented an emergency telephone number? Do 90% of customers receive advice within one hour of reporting an emergency? |                | Largely adequate           | Numbers in Customer Charter. Names need updating.                                 | <b>None</b>    |
| <b>Responsiveness to Customer Complaints</b>                | Are 90% of written customer complaints resolved within 21 days?  |                | Good                       | Not many complaints received. Those that are, are dealt with as soon as possible. | <b>None</b>    |
| <b>Clause 16 Terms and conditions of customer contracts</b> | Have the Shire of Wickepin entered into agreements with customers to provide water services?   | Allan Ramsay   | N/A                        | Council provides all water services.  | <b>None</b>    |
|   | If so, have any of the terms and conditions been modified without written approval from the Authority?   |                | N/A                        |   |                |

| Operating Licence Clause or Schedule   | Specific Compliance Issues/Requirements   | Auditee      | Activity Compliance | Comments/Remarks   | Actions             |
|--|---|--------------|---------------------|--|---------------------|
| <b>Clause 17</b><br><b>Obligations to public authorities and other Licensees</b> | Do the wastewater treatment plants operated by the Shire of Wickepin have the relevant licences from the Department of Environment and are they operated in accordance with these licences? | Allan Ramsay | Good                | One off DoE registration was received on 24/4/03.                              | <b>None</b>         |
| <b>Clause 18</b><br><b>Consumer Consultation</b>                                 | Have the Shire of Wickepin held a public meeting or advertised for written submissions prior to making major changes to the operation of the water service?                                 | Allan Ramsay | Largely adequate    | No major changes have occurred, but they would advertise for a public meeting. | <b>None</b>         |
|  | Does the Shire of Wickepin allow customers to raise matters of concern regarding the sewerage system at public question time in accordance with the <i>Local Government Act 1995</i> ?      |              | Largely adequate    | No issues, but would allow questions.  | <b>None</b>         |
| <b>Clause 19</b>   | Does the Shire of Wickepin have a "plain English" Customer Service Charter?   | Allan Ramsay | Largely adequate    | Updated 2005, but some names need updating.                                    | <b>Update names</b> |

| <b>Operating Licence Clause or Schedule</b> | <b>Specific Compliance Issues/Requirements</b>  | <b>Auditee</b> | <b>Activity Compliance</b> | <b>Comments/Remarks</b>  | <b>Actions</b>  |
|---|---|----------------|----------------------------|--|---|
| <b>Customer Service Charter</b>             | Does the Charter address all of the service issues reasonably likely to be of concern to its Customers? |                | Good                       | Yes.   | <b>None</b>   |
|   | Has the Charter been reviewed within the last three years?  |                | Good                       | Updated 2005, but some names need updating.  | <b>Update names</b>   |
|   | Have any changes to the Charter been approved by the Authority?   |                | Good                       | Yes.   | <b>None</b>   |
|   | How does the Shire of Wickepin make the Charter available to its Customers?                             |                | Good                       | Available in Council foyer and on request.   | <b>Shire to investigate informing residents annually via a note in the rates.</b> |
|   | Does the Shire of Wickepin provide services that are consistent with the Charter?                       |                | Good                       | As indicated by no breakdowns in service and lack of complaints.                         | <b>None</b>   |
| <b>Clause 20<br/>Dispute Resolution</b>     | Is there a system in place for recording, managing and resolving customer complaints?                   | Allan Ramsay   | Good                       | Front desk is point of call, appropriate staff are then notified and problem dealt with. | <b>None</b>   |

| Operating Licence<br>Clause or Schedule | Specific Compliance<br>Issues/Requirements  | Auditee | Activity<br>Compliance | Comments/Remarks  | Actions     |
|---|---|---------|------------------------|---|-------------|
|   | Are there officers designated to deal with complaints, and are they authorised to settle disputes, including monetary compensation where necessary? |         | Good                   | EHO, CEO are available to deal with all complaints. CEO deals with monetary compensation. | <b>None</b> |
|   | Are Customers made aware that they can refer any dispute between themselves and the Shire of Wickepin to the Economic regulation Authority?         |         | Good                   | Outlined in the Customer Charter.   | <b>None</b> |
|   | Where complaints are not resolved within 21 days, is the Customer advised of alternative forms of redress?  |         | Good                   | Outlined in Customer Charter.   | <b>None</b> |

## 9 Summary of Operational Audit Findings

Overall, the SOW's compliance with licence conditions was mainly good, with Clause 6 (Asset Management System) and Clause 14 (Specific information to be provided) evenly sharing the four non-compliances. The following section details these issues as well as providing some recommendations in regard to corrective action.

However, the EHO was not aware of some of the licence's requirements. It would be prudent for the EHO to be familiar with the licence to ensure future non-compliances are minimised.

The auditor does not believe that compliance plans are required.

### 9.1 Asset Management System (Clause 6)

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

#### **Recommendation**

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

### 9.2 Specific Information to be provided (Clause 14)

SOW did not inform the Authority of an overflow that occurred from the system in November 2005, nor has the Schedule 3 form for 2004/05 been submitted. The overflow did not affect any customers.

#### **Recommendations**

SOW to inform the Authority of this recent spill and should also complete and submit the completed Schedule 3.

The following issues were regarded as 'Largely adequate'.

### **9.3 Technical Standards (Clause 8), Industry Standards (Clause 9)**

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

#### **Recommendation**

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

### **9.4 Methods or principles to be applied in the provision of Water Services (Clause 12)**

A regular maintenance program needs to be developed and implemented and the sewerage reserve fund should be increased on an annual basis.

### **9.5 Performance Standards (Clause 15) – Emergency Response**

The emergency contact names in the Customer Charter need updating.

### **9.6 Consumer Consultation (Clause 18)**

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

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

The Charter was reviewed in 2005, but needs to be reviewed as some names contained within it are out of date.



## 10 Asset Management System Review – Key Outputs and Performance

### 10.1 Effectiveness Rating Scale

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

- Excellent
- Good
- Largely adequate
- Inadequate

## 10.2 Asset Planning/Creation/Acquisition

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

| Item No. | Test  | Comments   | Effectiveness           |
|----------|---|--|-------------------------|
| a.       | Have the strategic objectives for assets been identified?   | Strategic objectives are outlined in the AMP and Customer Charter. AMP has not been updated since 1999, but the Charter is up to date. | <b>Largely adequate</b> |
| b.       | Have the life cycle costs been considered?  | Operation and maintenance costs are contained in the Annual Budget and have also been reported in AMP, although this is out of date.   | <b>Largely adequate</b> |
| c.       | Has the need for new assets been determined and full project evaluation processes been followed, including comparative assessment of non-asset solutions? | The AMP CAPEX requirements are only until 2003, thus is out of date.   | <b>Largely adequate</b> |
| d.       | Have documents recording relevant details on the asset been collected?  | Not since 1999 AMP.  | <b>Inadequate</b>       |
| e.       | Do assets reflect the objectives identified in the asset creation/acquisition phase?  | They do for the 1999 AMP, but may not reflect current requirements.  | <b>Inadequate</b>       |

| Item No. | Test                           | Comments   | Effectiveness |
|----------|--------------------------------|--|---------------|
| f.       | Are actual costs as predicted? | Actual costs as recorded in the annual budget are almost identical to those predicted. | Good          |

**Overall Comment**

The recommendation in the previous audit (Aquaterra 2003) to update the existing AMP has not been undertaken. As a result, no provision has been made for any asset planning, creation and acquisition. The existing 1999 AMP could not be located at the time of the audit. Subsequently, a copy of the AMP was obtained from the Authority.

Neither CEO nor EHO were aware of the existence of the AMP. SOW has had a recent changeover of staff and an incomplete handover may have resulted in this discrepancy.

SOW has been strongly recommended to prepare an AMP, either by in-house means, or by engaging a consultant, ASAP.

### 10.3 Environmental Analysis

Environmental analysis examines the asset system environment and assesses all external factors affecting the asset system.

| Item No. | Test   | Comments                                     | Rating           |
|----------|--|--|------------------|
| a.       | Have the performance requirements (availability of service, capacity, continuity, emergency response) been documented? | In 1999 AMP. Needs updating.                 | Inadequate       |
| b.       | Are the asset system objectives documented?  | In 1999 AMP. Needs updating.                 | Inadequate       |
| c.       | Have the opportunities and threats in the system environment been assessed?  | In 1999 AMP. Needs updating.                 | Inadequate       |
| d.       | Are regulatory obligations and statutory/regulatory requirements documented?   | In 1999 AMP. Needs updating.                 | Largely adequate |
| e.       | Is the asset meeting the level of service required by users of the service?  | There have been no complaints.               | Good             |
| f.       | Do the assets meet regulatory requirements?  | One-off DoE registration occurred on 24/4/03 | Good             |

### **Overall Comment**

The risk assessment was last done for the 1999 AMP, so no updated risk assessment of all external factors affecting the system has been undertaken. As the system is simple and quite small, the main risk of failure is environmental rather than to humans. The AMP, including an environmental analysis, should be updated ASAP.

Lack of complaints would indicate that the level of service is adequate.

## 10.4 Asset Management System Analysis

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

| <b>Item No.</b> | <b>Test</b>   | <b>Comments</b>   | <b>Effectiveness</b>    |
|-----------------|---|---|-------------------------|
| <b>a.</b>       | Are the asset system components documented?   | In 1999 AMP. Out of date.   | <b>Inadequate</b>       |
| <b>b.</b>       | Has the asset performance and condition been assessed?  | In 1999 AMP. Out of date.   | <b>Inadequate</b>       |
| <b>c.</b>       | Does the asset management plan include an asset register and plans of asset system components?                      | In 1999 AMP. Out of date.   | <b>Inadequate</b>       |
| <b>d.</b>       | Does the register record asset type, location, material and an assessment of assets' physical/structural condition? | In 1999 AMP. Out of date. Engineering drawings of SOW system are available for inspection in Council offices.         | <b>Largely adequate</b> |
| <b>e.</b>       | Are systems in place to assess asset and practice efficiency?   | There is a complaints register which can be used to assess asset efficiency. No complaints recorded since last audit. | <b>Good</b>             |

| Item No. | Test  | Comments   | Effectiveness           |
|----------|---|--|-------------------------|
| f.       | Assets assessed for capability and deficiencies of current assets to meet performance requirements? | The system is performing well, as indicated by lack of complaints and major breakdowns. A maintenance schedule and register should be set up and followed to ensure that this is the case.   | <b>Largely adequate</b> |
| g.       | Are practices covering operating rules and maintenance documented?                                  | In 1999 AMP. Out of date.  | <b>Largely adequate</b> |
| h.       | Do maintenance plans cover preventative and corrective maintenance?                                 | In 1999 AMP. Out of date. It is believed that there is no regular maintenance, only regular inspection.  | <b>Inadequate</b>       |
| i.       | Are actual assets and human resources appropriate for performance requirements?                     | In 1999 AMP. Out of date. However, there is a Works Manager, EHO and a contract plumber is used by the SOW. There is also an operation and maintenance manual (SKP Report, 1982) but it was stored in the compactus unit and didn't appear to be widely known. | <b>Largely adequate</b> |
| j.       | Do operation and maintenance practices reflect performance targets?                                 | Performance has been good to date, with only one minor spill, although no customers were affected.   | <b>Largely adequate</b> |
| k.       | Are costs measured and recorded?  | Annual budget details income and expenditure of sewerage system.   | <b>Good</b>             |
| l.       | Is the asset under-utilised?  | Yes, but not a problem due to small size of system.  | <b>Good</b>             |

| Item No. | Test   | Comments   | Effectiveness           |
|----------|--|--|-------------------------|
| m.       | Is the level of maintenance justified against replacement cost?  | Maintenance costs are much lower than replacement. Maintenance could be increased with the preparation and implementation of a maintenance schedule.                                     | <b>Largely adequate</b> |
| n.       | Has the asset been inspected?  | The effluent reuse assets are inspected by the EHO when he undertakes sample testing, and the council rubbish collector who informally inspects the assets as he does his weekly rounds. | <b>Inadequate</b>       |
| o.       | Is the assets' theoretical life known?   | Yes, in AMP  | <b>Good</b>             |
| p.       | Does the assess management plan enable the prediction of asset deterioration and failure.  | Yes  | <b>Good</b>             |
| q.       | Do the maintenance plans and operational plans relate to what is required to achieve the levels of service required of the system? | No regular maintenance is undertaken, but no customer complaints indicate the system is working effectively. Maintenance is reactive, rather than proactive.                             | <b>Inadequate</b>       |

**Overall Comment**

There is no regular maintenance regimen followed. Maintenance is done on a reactive basis, not proactive basis. Due to the system being simple, small and over designed, it is quite robust. However, an Asset Register needs to be completed which contains the assets, locations, replacement costs, theoretical life, etc. Also, a maintenance schedule and register should be developed and implemented.

This should all be done as part of the update of the AMP.



### 10.5 Risk Analysis and Contingency Planning

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

| Item No. | Test  | Comments   | Effectiveness           |
|----------|---|--|-------------------------|
| a.       | Has a risk assessment of assets been conducted?   | A risk assessment would have been done in the preparation of the initial AMP. However there is no appreciation from staff of the risks to the system.  | <b>Inadequate</b>       |
| b.       | Has the probability and consequences of asset failure have been identified?                                     | Not since AMP in 1999. However, due to the nature of the system, failure of the system will lead to minor environmental damage rather than human harm. | <b>Inadequate</b>       |
| c.       | Are appropriate contingency plans in place?   | There is a strategic reserve in place, although this could do with being increased.  | <b>Largely adequate</b> |
| d.       | Is risk management practiced?   | No evidence to suggest this. No regular maintenance undertaken.  | <b>Inadequate</b>       |
| e.       | Where unacceptable risks have been identified have risk control measure been implemented?                       | In 1999 AMP. Out of date.  | <b>Inadequate</b>       |
| f.       | Where events that may result in severe consequences have been identified have contingency plans been developed? | In 1999 AMP. Out of date.  | <b>Inadequate</b>       |

### **Overall Comment**

Due to a lack of awareness of an AMP, no risk analysis has been undertaken. There is a Strategic Sewer Reserve which is regularly topped up, but could do with being increased. The CEO indicated to the auditor that this is his plan.

Due to the nature, size (approx 250 people) and location of the system, catastrophic failure of the system will most likely lead to minor environmental harm rather than any harm to humans.

When the AMP is updated, a risk analysis should be undertaken.

## 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)?  | Annual Budget provides this information.   | <b>Good</b>             |
| b.       | Does the financial plan cover the financial objectives and strategies and actions to achieve the objectives?                                 | In 1999 AMP, out of date.  | <b>Largely adequate</b> |
| c.       | Does the financial plan identify the source of funds for the capital expenditure plan?   | Yes, rate revenue, calculated and reviewed annually. EHO indicated that the source of funds is the allocation from rates. What is not spent is transferred to the Sewerage Reserve Fund. | <b>Largely adequate</b> |
| d.       | Are the sources of funds for operation, maintenance and administration identified in the financial plan?                                     | Yes, rate revenue, calculated and reviewed annually. EHO indicated that the source of funds is the allocation from rates. What is not spent is transferred to the Sewerage Reserve Fund. | <b>Largely adequate</b> |
| e.       | Does the financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period? | In 1999 AMP, out of date. Principal activity plan has budget predictions up until 2008. Annual Budget provides this information.   | <b>Inadequate</b>       |

| Item No. | Test  | Comments   | Effectiveness           |
|----------|---|--|-------------------------|
| f.       | Does the financial plan provide for the operation and maintenance, administration and capital expenditure requirements of the scheme? | Operation and maintenance is detailed in the Annual Budget, and capital expenditure would be covered in the Plan of Principal Activities, but there are no plans for capital sewerage works. | <b>Largely adequate</b> |

**Overall Comment**

Other than the annual budget detailing operation and maintenance revenue and expenditure, financial planning needs to be improved. The Annual Budget details the operations and maintenance incomes and expenditure, and the Plan of Principal Activities would detail the capital expenditure of any new sewerage works. There is also a 5 year projection of income and expenditure in the annual budget.

The AMP should be updated ASAP and should include a Financial Plan.

### 10.7 Capital Expenditure Planning

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

| Item No. | Test  | Comments   | Effectiveness           |
|----------|---|--|-------------------------|
| a.       | Has a capital expenditure plan been prepared?   | Council produces a Plan of Principal Activities for the following four years, and the Annual Budget included a 5 year projection of income and expenditure. There is no current planning for any capital works to be undertaken on the sewerage scheme. There is also a Sewerage Reserve fund, although it could be increased. | <b>Largely adequate</b> |
| b.       | Does the plan cover the issues to be addressed, the actions proposed, the centre of responsibilities, and deadline dates? | Yes, in 1999 AMP. Out of date. Latest entry was 2003.  | <b>Inadequate</b>       |
| c.       | Does the plan provide reasons for capital expenditure and timing of expenditure?  | Yes, in 1999 AMP. Out of date.   | <b>Inadequate</b>       |
| d.       | Is the capital expenditure plan consistent with the asset life and condition identified in the asset management plan?     | Yes, in 1999 AMP. Out of date.   | <b>Inadequate</b>       |

### **Overall Comment**

Capital expenditure planning was done in the 1999 AMP and is out of date. Its last projections were for the year 2003.

Should be updated as part of the AMP review.

There is a Sewerage Reserve Fund, but it could do with being increased.

## 10.8 Review of Asset Management Plan

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

| Item No. | Test   | Comments | Effectiveness |
|----------|--|----------|---------------|
| a.       | Is a review process in place to ensure that asset management plans are kept current? | No.      | Inadequate    |
| b.       | Are asset management plans being reviewed at appropriate intervals?                  | No.      | Inadequate    |
| c.       | Are the asset management plans current?  | No.      | Inadequate    |

### Overall Comment

The previous audit recommended that the original AMP be updated. During the current audit it was not possible to locate this AMP, and knowledge of the existence of an AMP for the sewerage treatment works was on existent. Subsequently, a copy of the AMP was sourced from the Authority.

As a matter of urgency an AMP should be prepared and submitted to the Authority for review ASAP.

# 11 Summary of Asset Management Review Findings

## 11.1 Introduction

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

The Asset Management Plan has not been updated since 1999 and a copy of the 1999 AMP could not be located at the time this audit was undertaken. Subsequently, a copy of the AMP was sourced from the Authority for the purpose of the review. The EHO and CEO were not aware of the existence of an asset management plan for the wastewater treatment system.

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

The SOW is fortunate that the system is simple and robust enough not to have had any failures, as indicated by the lack of customer complaints and breakdowns. This is especially so given the fact that no regular maintenance is undertaken.

## 11.2 Specific Findings and Recommendations from Current Review

### 11.2.1 Asset Planning/Creation/Acquisition

The recommendation in the previous audit (Aquaterra 2003) to update the existing AMP has not been undertaken. Not only that, but the existing 1999 AMP could not be located at the time of the audit. As a result, no provision has been made for any asset planning, creation and acquisition or how the strategic objectives for the wastewater treatment system may have changed.

Currently there have been no breakdowns or complaints which would indicate that the level of assets is adequate for the service required.

Neither CEO nor EHO were aware of the existence of the AMP. SOW has had a recent changeover of staff and an incomplete handover may have resulted in this discrepancy.



SOW has been strongly recommended to update their AMP, either by in-house means, or by engaging a consultant, ASAP.

### **Recommendation**

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

Assessment: Inadequate.

### **11.2.2 Environmental Analysis**

No risk assessment of all external factors affecting the system has been undertaken since the inaugural AMP was prepared in 1999. As the system is simple and quite small, the main risk of failure is environmental rather than to humans. An AMP, including an environmental analysis, should be developed ASAP.

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

Lack of complaints would indicate that the level of service is adequate.

However, one off registration with DoE was received in 2003 and a lack of complaints would indicate that the assets are meeting the required level of service.

### **Recommendation**

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

Assessment: Inadequate.

### **11.2.3 Asset Management System Analysis**

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

There is no regular maintenance regimen followed. Maintenance is done on a reactive basis, not proactive basis. Due to the system being simple, small and over designed, it is quite robust. However, an Asset Register needs to be completed which contains the assets, locations, replacement costs, theoretical life, etc. Also, a maintenance schedule and register should be developed and implemented.

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

However, operational costs are covered in the annual budget.

### **Recommendations**

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

Assessment: Inadequate.

#### **11.2.4 Risk Analysis and Contingency Planning**

Due to a lack of awareness of an AMP, no risk analysis has been undertaken. There is a Strategic Sewer Reserve which is regularly topped up, but could do with being increased. The CEO indicated to the auditor that this is his plan.

Due to the nature, size (approx 250 people) and location of the system, catastrophic failure of the system will most likely lead to minor environmental harm rather than any harm to humans.

### **Recommendation**

Risk analysis and contingency planning of the wastewater treatment system should be undertaken as part of the AMP review.

Assessment: Inadequate.

#### **11.2.5 Financial Planning**

The Annual Budget details the operations and maintenance incomes and expenditure, and the Plan of Principal Activities would detail the capital expenditure of any new sewerage works. There is also a 5 year projection of income and expenditure in the annual budget.

Other than the annual budget detailing operation and maintenance revenue and expenditure, financial planning in the AMP needs to be updated. This should be done as part of the AMP review.

Once asset life and expected replacements are determined, this information could be used to feed into the Principal Activities Plan, or its replacement. It would be beneficial to have all the relevant financial and capital expenditure information pertaining to the sewerage scheme collated from the Financial Plan, Plan of Principal Activities and annual budget and included in the AMP.

### **Recommendation**

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

Assessment: Largely adequate.

### **11.2.6 Capital Expenditure Plan**

Capital expenditure planning was done in the 1999 AMP and is out of date. Its last projections were for the year 2003.

Council has produced a Plan of Principal Activities for the following four years, and the Annual Budget included a 5 year projection of income and expenditure. There is no current planning for any capital works to be undertaken on the sewerage scheme.

There is a Sewerage Reserve Fund, but it could do with being increased.

### **Recommendation**

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

Assessment: Inadequate.

### **11.2.7 Review**

The previous audit recommended that the original AMP be updated. During the current audit it was not possible to locate this AMP, and knowledge of the existence of an AMP for the sewerage treatment works was non-existent. Subsequently, a copy of the AMP was sourced from the Authority.

As a matter of urgency an AMP should be prepared and submitted to the Authority for review ASAP.

Customer Charter is slightly out of date. It was prepared in 2005 but the emergency contact names have been changed.

### Recommendation

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

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

Assessment: Inadequate.

## 12 References

- Operational Audit and Asset Management Review 2003– Aquaterra Consulting
- Shire of Wickepin Sewerage Scheme Customer Services Charter 2005
- Shire of Wickepin Annual Report 2004/2005
- Shire of Wickepin Budget 30/6/06
- Shire of Wickepin Principal Activities Plan 2003/04 – 2008/09
- Shire of Wickepin Sewerage Scheme Engineering Drawings 1981 - SKM