



Shire of Denmark

Audit Report
Operational Audit and
Asset Management review
Peaceful Bay - Non-Potable Water Supply

FINAL REPORT
31 August 2007

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Executive Summary

INTRODUCTION

The Shire of Denmark (the Shire) has a water services licence issued by the Economic Regulation Authority (ERA) to provide non-potable water supplies and services at Peaceful Bay.

The system at Peaceful Bay services 203 leasehold customers and provides non-potable water to the leasehold holiday use lots, primarily for watering the gardens and toilet flushing. The assets consist of a production bore, storage dam, pumping station and high level pumps.

The audit comprised an Operational Audit of the Shire of Denmark's compliance with the licence conditions and a review of the Asset Management System.

The objective of the Operational Audit was to provide an assessment of the effectiveness of measures taken by the licensee to maintain the performance and quality standards referred to in the licence.

The objective of the Asset Management Review was to assess the adequacy and effectiveness of the asset management system in place for the planning, construction, operation and maintenance of the licensee's assets.

The audit applied a risk-based audit approach to focus on the systems and effectiveness of processes used to ensure compliance with the standards, outputs and outcomes required by the licence.

The audit covered the period from the previous audit from the 1st June 2006 to 31st May 2007.

CONCLUSION

Operational Audit

The audit concluded that the licence obligations are being complied with apart from two relatively minor exceptions, being the annual performance reporting being two weeks late and the need to prominently display the Customer Service Charter in the Shire's Reception area.

Overall, the Shire has a well established process to ensure compliance with the licence requirements.

Asset Management Review

The review of the Asset Management System shows that base practices are in place, and the processes are planned and tracked. The main exceptions relate to reviewing the Asset Management Plan, inclusion of asset condition and location in the asset register, more detailed asset operations and maintenance procedures, greater security for the complaints/incident register and more formalised regular reporting on the Scheme to the CEO. However, generally, the Asset Management System is appropriate and adequate, for the Shire's operations.

SUMMARY OF ISSUES AND RECOMMENDATIONS

The following table provides a summary of the issues and recommendations of the Operational Audit and Asset Management Review with provision for management responses from the Shire of Denmark.

SIGN-OFF

We confirm that the ERA Audit Guidelines have been complied with in the conduct of this audit and the preparation of the report, and that the audit findings reflect our professional opinion.



GEOFF WHITE

PARTNER

31 AUGUST 2007

Post Audit Implementation Plan

No.	Issue	Recommendation	Management Response	Person Responsible	Completion Date
1	Operational Audit				
1.1	<p>Customer Charter</p> <p>The licence requires the licensee to prominently display the customer service charter in an area of their offices that their customers regularly have access to. A copy of the charter was not visible during the audit visit.</p>	<p>The Shire to keep a copy of the Customer Service Charter on display in the Shire's reception area along with the other information brochures that are available for visitors.</p>	<p>Above and beyond this requirement, a copy is sent out annually to all leaseholders, however, a copy can also be displayed at Shire Office.</p>	<p>Engineering Technical Officer (ETO)</p>	<p>30 September 2007</p>
1.2	<p>Annual Performance Reporting</p> <p>The Licensee is required to report on the information set out in Schedule three of their licence. The reports are due within 30 days of the end of each financial year. The last report that was sent to the ERA was sent on the 14th of August 2006. Also the energy cost in kW was not reported on for the year as per the licence requirements.</p>	<p>The Shire should ensure the reports are received by the ERA within 30 days of the end of the financial year and also include the energy cost in kW.</p>	<p>Noted, this year's report (2006-07) sent within 30 days of end of financial year.</p>	<p>ETO</p>	<p>Ongoing</p>
1.3	<p>Emergency Telephone Service</p> <p>The licensee is currently unable to show compliance with the requirement to take action within one hour of receiving an emergency call.</p>	<p>The complaints register be updated to include details on the time the call received and the time that action was taken.</p>	<p>This is Peaceful Bay, not the metropolitan area. Plumbers / Electricians are hard enough to get without putting a 1 hour response time. We will do the best we can, generally we can comply.</p>	<p>ETO</p>	<p>30 November 2007</p>

No.	Issue	Recommendation	Management Response	Person Responsible	Completion Date
2	Asset Management Review				
2.1	Plans Regularly Reviewed and Updated The Asset Management Plan (AMP) includes a schedule for updating the different sections within the plan. It was noted that some of these sections are now due for review.	The AMP should be reviewed as per the documented review schedule.	Will be reviewed.	ETO	30 June 2008
2.2	Asset Register The assets are recorded for accounting purposes and also in the Capital Investment Plan. However, more information is needed, particularly asset condition and location.	The AMP should include a separate Asset Register which includes additional details such as the condition and location of the assets, including GPS coordinates.	This will be prepared.	ETO	31 December 2007
2.3	Staff Training During the audit, it was noted that the Engineering Technical Officer might benefit from some formal training in Asset Management.	The Shire should consider providing the Engineering Technical Officer with some formal Asset Management Training.	Council does provide training and will endeavour to deliver appropriate training for the ETO.	CEO	Ongoing
2.4	Asset Operations and Maintenance Procedures The maintenance procedures in the AMP are described as an interim guide only and the details of maintenance are to be included in the Operations and Maintenance Manual for the Scheme – this is yet to be completed.	The Shire should produce a fully documented Asset Operations and Maintenance Procedures Manual for the Scheme. These procedures should be linked to the service levels required for the Scheme and include a risk management framework that prioritises maintenance tasks.	Partially developed.	ETO	31 December 2007

2.5	<p>Asset Management Information System</p> <p>Inadequate access controls are in place for the Shire's servers. The AMP and spreadsheets are kept in a shared area on the Shire's server, for which there is a shared logon password.</p>	<p>The complaints/ incidents spreadsheets should be kept in a restricted area on the network or they should be password protected.</p>	<p>This will be done.</p>	<p>CEO</p>	<p>30 September 2007</p>
2.6	<p>Management Reporting</p> <p>There are no formal management reports produced for the Scheme other than those required under the ERA licence.</p>	<p>The AMP includes a number of performance measures on quality, availability, pressure and storage capacity. This information should be collected monthly and reported to the CEO along with details on any incidents or complaints reported during the month.</p>	<p>Upon completion of upgrade works (including installation of meters etc), performance can then be measured for reporting.</p>	<p>ETO</p>	<p>30 June 2008</p>
2.7	<p>Contingency Planning</p> <p>Basic contingency plans are documented in the AMP. However, there are no documented requirements on testing the plan.</p>	<p>The AMP should be updated to include testing requirements for response plans listed in the contingency plan.</p>	<p>Management considers this to be an important requirement and will update the contingency plan to include testing requirements. It is proposed that this will occur in April /May 2008.</p>	<p>ETO</p>	<p>30 April 2008</p>

1. Background

The Shire of Denmark has a water services licence issued by the Economic Regulation Authority (ERA) to provide non-potable water supplies and services at Peaceful Bay.

The system at Peaceful Bay services 203 leasehold customers and provides non-potable water to the leasehold holiday use lots, primarily for watering the gardens and toilet flushing. The assets consist of a production bore, storage dam, pumping station and high level pumps.

Originally sited on a cattle lease, the Peaceful Bay settlement started as a camping site for holidaying local families in the early 1900s. Subsequently, wood huts were constructed and in 1956 the land was vested in the Shire of Denmark. Originally water came from a nearby soak and later, a windmill and water tank were added. Between 1959 and 1979, a pumping station and two further water storage tanks were added.

In 1983 a bore was added. In 1984, the Public Works Department determined that the system was unable to meet peak demand and so the scheme was further upgraded. As the number of leaseholds is now constant, there is not expected to be any further growth in demand for the system. Demand is affected by seasonal variations in the population and the watering of gardens in the summer.

The Shire of Denmark was initially granted an Operating Licence under section 22(1) of the Water Services Licensing Act 1995 by the ERA on 22nd February 2005 for the operation of non-potable water supplies in Peaceful Bay. The licence was renewed by way of substitution on 1st June 2006.

2. Audit Approach

2.1 OBJECTIVES AND SCOPE

2.1.1 Operational Audit

The objective of the Operational Audit was to provide an assessment of the effectiveness of measures taken by the licensee to maintain the performance and quality standards referred to in the licence.

The audit applied a risk-based audit approach to focus on the systems and effectiveness of processes used to ensure compliance with the standards, outputs and outcomes required by the licence.

The scope of the audit covered the following:

- Risk assessment – the risks posed by non-compliance with the licence standards and development of a risk-based audit plan to focus on the higher risk areas, with less intensive coverage of medium and low risk areas;
- Process compliance - the effectiveness of systems and procedures in place throughout the audit period, including the adequacy of internal controls;
- Outcome compliance – the actual performance against standards prescribed in the licence throughout the audit period;
- Output compliance – the existence of the output from systems and procedures throughout the audit period (that is, proper records exist to provide assurance that procedures are being consistently followed and controls are being maintained);
- Integrity of performance reporting – the completeness and accuracy of the performance reporting to the ERA; and
- Compliance with any individual licence conditions – any specific requirements imposed by the ERA or specific issues for follow-up that are advised by the ERA.

2.1.2 Asset Management Review

The objective of the Asset Management Review was to assess the adequacy and effectiveness of the asset management system in place for the planning, construction, operation and maintenance of the licensee's assets.

The scope of the review covered the following:

- the adequacy of the asset management system by considering the outputs of the system such as the operations and maintenance plans, financial plans and asset registers; and
- the effectiveness of the asset management system by considering the systems established for the planning, construction, operation and maintenance of works.

The review identified areas where improvement is required and recommended corrective action as necessary.

2.2 AUDIT PERIOD AND TIMING

The audit covered the period 1st June 2006 to 31st May 2007. The field audit visit was conducted on 4th to 5th July 2007.

2.3 LICENSEE'S REPRESENTATIVES PARTICIPATING IN THE AUDIT

- Paul Lopresti – Engineering Technical Officer
- Dean Taylor – Finance Manager

2.4 KEY DOCUMENTS EXAMINED

- Shire of Denmark Operating Licence, dated 1st June 2006;
- Decision on the Shire of Denmark’s application for a non-potable water supply operating licence, dated February 2005;
- Decision on the Shire of Denmark’s Application for Renewal of Non-Potable Water Supply Operating Licence No.39, dated 1 June 2006;
- Performance Reports to ERA for 2006;
- Customer Service Charter, dated September 2006;
- Asset Management Plans for Peaceful Bay, dated 24th November 2005;
- Shire of Denmark Strategic Plan, dated 28th February 2006;
- Shire of Denmark Annual Report to 30th June 2006;
- Shire of Denmark “Plan for the Future” 2005 to 2008;
- Shire of Denmark Principal Activities Plan 2003-2007
- Shire of Denmark Policy Manual, updated May 2007;
- Denmark Shire Newsletter - November 2006;
- Denmark Shire Newsletter May 2006;
- Records of fault advice/ complaints; and
- Correspondence and Operations files as requested.

2.5 COMPLIANCE RATINGS

The Shire's compliance with the licence obligations was assessed using the following compliance ratings.

NAME	RATING	DESCRIPTION
FULLY COMPLIANT	5	Compliant - no further action required
COMPLIANT	4	Compliant apart from minor issues and recommendations
PARTIALLY COMPLIANT	3	Meets minimum requirements in most areas but improvements are required to maintain compliance
NON-COMPLIANT	2	Does not meet minimum requirements
SIGNIFICANTLY NON-COMPLIANT	1	Significant weaknesses and/or serious action required

2.6 EFFECTIVENESS RATINGS

The effectiveness of key processes in the asset management system was assessed using the following effectiveness ratings.

NAME	RATING	DESCRIPTION
Continuously improving	5	Continuously improving organisation capability and process effectiveness
Quantitatively controlled	4	Measurable performance goals established and monitored
Well-defined	3	Standard processes documented, performed and coordinated
Planned and tracked	2	Performance is planned, supervised, verified and tracked
Performed informally	1	Base practices are performed
Not performed	0	Not performed (indicated if not applicable)

2.7 AUDIT TEAM AND HOURS

CONSULTANT	POSITION	HOURS
Geoff White	Partner	5
Shane Gallagher	Senior Consultant	25
	Total	30

3. Operational Audit

The preliminary risk assessment included in the Audit Plan was reviewed and updated in the course of the audit and a compliance rating using the scale in section 2.5 was assigned to each obligation under the licence, as shown in Section 3.1.

Section 3.2 provides details of the current status of recommendations from the previous audit and Section 3.3 provides further details of the systems and the compliance assessment.

3.1 SUMMARY OF COMPLIANCE RATINGS

The audit assessment of the compliance ratings for each licence condition is shown in the table below.

Operating area	Operating Licence reference (Cl.=clause, Sch.=schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (Low, Medium, High)	Adequacy of existing controls (S=strong, M=moderate, W=weak)	Compliance Rating (1=significantly non-compliant, 2=non-compliant, 3=partially compliant, 4= compliant, 5=fully compliant)				
						1	2	3	4	5
SERVICE DELIVERY										
Water services in designated areas	Cl.2(b), Sch.1	1	C	Low	Strong	✓	✓	✓	✓	✓
Availability / connection of services	11(b)	2	C	Medium	Moderate	✓	✓	✓	✓	✓
Adherence to Regulation	Cl.5	2	B	Medium	N/A					
Adherence to Technical Standards	Cl.8	N/A	N/A	N/A	N/A					
Adherence to industry codes	Cl.9	2	C	Medium	N/A					
Adherence to public authorities/Licensees	Cl.17	N/A	N/A	N/A	N/A					
Accounting records prepared to standard	Cl.10	2	C	Medium	Strong	✓	✓	✓	✓	✓
Emergency telephone service operational	Cl.15(b)	2	C	Medium	Weak	✓	✓	✓		
Customer service standards	Cl.11(g)	3	B	High	Moderate	✓	✓	✓	✓	✓
Non-potable water – Inspection	Cl.11(d) (e)	3	B	High	Moderate	✓	✓	✓	✓	✓
Non-potable water – Misuse	Cl.11(h)	3	B	High	Moderate	✓	✓	✓	✓	✓
Non-potable water – Warning Signs	Cl.11(f)	3	B	High	Moderate	✓	✓	✓	✓	✓
Services by agreement	Cl.17	2	C	Medium						
Contractors maintenance of standards	Cl.11(a)(c)	3	B	High	Moderate	✓	✓	✓	✓	✓
CUSTOMER SERVICE										
Customer complaints	Cl.21	2	B	Medium	Moderate	✓	✓	✓	✓	✓
Customer Charter	Cl.19	2	C	Medium	Moderate	✓	✓	✓		
Customer consultation	Cl.18	1	B	Medium						
PERFORMANCE MONITORING										
Customer survey	Cl.22	N/A	N/A	N/A						
Breach of Licence	Cl.12	2	C	Medium	Moderate	✓	✓	✓	✓	✓
Interruption reporting	Cl.14(a)-(d)	2	B	Medium						
Annual performance reporting	Cl.14(e), Sch.3	2	B	Medium	Moderate	✓	✓	✓	✓	
Licence Renewal Reporting	Cl.14(f)	2	C	Medium	Moderate	✓	✓	✓	✓	✓
Compliance with reporting standards	Cl.15(a), 2	2	B	Medium	Moderate	✓	✓	✓	✓	✓
INDIVIDUAL STANDARDS										
	N/A									

3.2 PREVIOUS AUDIT RECOMMENDATIONS

As this is the first audit of the Peaceful Bay Scheme, there are no previous recommendations.

3.3 AUDIT RESULTS AND RECOMMENDATIONS

Licence Ref.	Licence Obligation	Audit Priority (1=highest 5=lowest)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
CI.2(b)	Water Services in Designated Areas The Licence permits the provision of Water Services within the Operating Areas described in Schedule 1 subject to compliance with the requirements of the Licence.	5	Confirmed with Shire staff. A copy of the plan showing the operating areas is also included in the Asset Management Plan (AMP).	5
CI.11(b)	Availability and connection of Services The Licensee must ensure that its Water Services are available for Connection on request to any land situated in the Operating Area, subject to the applicant meeting any conditions the Licensee may reasonably determine to ensure safe, reliable and financially viable supply of services to land in the Operating Area in accordance with this Licence and any relevant legislation. Satisfactory compliance with the conditions of Connection are to be taken as forming an essential requirement of gaining approval to connect to the Licensee's schemes.	4	According to the AMP and as discussed with Shire staff, the number of connections is unlikely to increase as the number of leasehold properties will not increase beyond the current 203.	5
CI.5	Adherence to Regulation The Licensee shall comply with Regulations prescribing standards of service made under section 61 of the Act.	N/A	No regulations had been published at the time of the audit.	N/A
CI.8	Adherence to Technical Standards		No standards had been published at the time of the audit.	N/A

Licence Ref.	Licence Obligation	Audit Priority (1=highest 5=lowest)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
	The Licensee is to comply with any technical standards published by the Authority in the Government Gazette under section 38 of the Act.	N/A		
CI.9	Adherence to Industry Codes The Licensee is to comply with any industry codes with such modifications or exemptions as may be determined by the Authority. Note: As at the date of this Licence, no industry codes apply to Non-Potable Water Supply Services.	4	No industry codes had been published at the time of the audit.	N/A
CI.17	Adherence to public authorities and other Licensees No specific obligations are set under this clause.	N/A	N/A	N/A
CI.10	Accounting Records Consistent with the accounting requirements of the Local Government Act 1995, the Licensee must 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.	4	The Shire completes an annual financial report covering all of its operations. No separate operating statement is kept for the water services operated under the Licence. However, the Scheme has its own cost centre in the accounting records and the annual budget includes totals for operational and capital spending for the scheme.	5
CI.15(b)	Emergency Telephone Service is Operational The Licensee must implement an emergency telephone system so a Customer can report an Emergency and receive advice within one hour of making that call of the action to be taken by the Licensee in relation to that Emergency.	2	The Customer Charter includes the phones numbers of the CEO, one of the Councillors, an electrician and the Shire's Works Supervisor. As the time the call is made, no record is made of the time received or the time it was responded to on the complaints register. Recommendation: The complaints register be updated to include details on the time the call received and the time that action was	3

Licence Ref.	Licence Obligation	Audit Priority (1=highest 5=lowest)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
			taken.	
CI.11(g)	<p>Customer Service Standards</p> <p>Notwithstanding any action taken by the Licensee pursuant to clause 11(e)(iv), the Licensee must advise property owners and residents in writing:</p> <ul style="list-style-type: none"> (i) annually; and (ii) within 5 days of any inspection pursuant to clause 11(d) that reveals a customer is using the Water Services for Potable Water purposes, <p>that the water supplied is non-potable, is not subject to routine monitoring and the water quality cannot be guaranteed.</p>	1	Charter sent out annually to customers. No cases during the audit period were recorded of customers using the water for drinking.	5
CI.11(d)	<p>Non-potable Water - Inspection</p> <p>The Licensee must inspect:</p> <ul style="list-style-type: none"> (i) the Water Service Works; and (ii) any pipes, including pipes that provide the Water Services to its Customers, <p>not less than once in every period of 12 months (or such longer period as the Authority allows) calculated from the commencement of the Licence, or such period determined in accordance with an inspection plan submitted by the Licensee and approved by the Authority, to ensure that its Water Services are being used for their intended purpose.</p>	1	Inspection records sighted. Full inspections are done annually, and checks are done at least monthly by the Shire staff. The results are recorded in a spreadsheet.	5
CI.11(e)	<p>Non-potable Water – Inspection Reporting</p> <p>The Licensee must report to the Authority on:</p>	1	A copy was sent to the ERA for the last annual inspection.	5

Licence Ref.	Licence Obligation	Audit Priority (1=highest 5=lowest)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
	<ul style="list-style-type: none"> (i) the outcome of the inspection in clause 11(d); (ii) the extent of the inspection in clause 11(d); (iii) any situation where a Customer uses the Water Services for (iv) Potable Water purposes; and (v) the action taken by the Licensee to advise a Customer referred to in (vi) clause 11(e)(iii) not to use the Water Services for Potable Water purposes, <p>within 5 days of conducting the inspection.</p>			
CI.11(h)	<p>Non-potable Water – Misuse</p> <p>Notwithstanding clause 11(e), the Authority may direct the Licensee, in writing, to do any measure necessary to:</p> <ul style="list-style-type: none"> (i) correct the Water Services from being misused as a potable water supply; or (ii) prevent the Water Services from being misused as a potable water supply again, <p>and specify the time limit by which such action must be taken.</p>	1	Checked the correspondence file and discussed the matter with the Engineering Technical Officer. There was no recorded misuse within the audit period.	5
11(f)	<p>Non-potable Water – Warning Signs</p> <p>The Licensee must comply with the NHMRC and ARMCANZ 1996 Australian Drinking Water Guidelines (“the Guidelines”) relating to drinking water, except</p>	1	Appropriate warning signs were noted during the visit to Peaceful Bay on public and private areas. This requirement is also checked as part of the comprehensive inspection done annually, and recorded as part of the Shire’s compliance inspections.	5

Licence Ref.	Licence Obligation	Audit Priority (1=highest 5=lowest)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
	where the Department of Health Western Australia has given written approval for variation from the Guidelines.			
16(a)	Services by Agreement The Licensee may enter into agreements with Customers to provide Water Services.	4	Services are provided as part of Shire services, which customers agree to as part of their leasehold.	5
16(b)	The Licensee may not enter into an agreement with a Customer that excludes, modifies or restricts the terms and conditions of the Licence without the prior written approval of the ERA.	4	Discussed with the Engineering Technical Officer. There is a standard agreement for all customers as part of their leasehold agreement.	5
11(a)	Contractors Maintenance of Standards Notwithstanding the engagement of any person or persons to provide Water Services on its behalf, the Licensee remains responsible to ensure those services comply with the terms and conditions of the Licence and with the relevant legislation.	2	The Shire inspects all work undertaken by external contractors.	5
11(c)	The Licensee must ensure that its Water Services are connected and maintained by licensed plumbers in accordance with: (i) this Licence; and (ii) any relevant legislation.	2	The Shire checks that plumbers are qualified. Works are inspected by Shire personnel to look for non-compliance.	5
21(a)	Customer Complaints The Licensee must establish a system for recording, managing and resolving within 21 days Complaints by Customers regarding a provided or requested Water Service, or for matters which must be considered by the Licensee, within 7 days after the first ordinary meeting of	4	A system has been established. The process is outlined from the customer perspective in the Customer Charter. A spreadsheet has been created to record the information. All complaints on the register were resolved within 21 days.	5

Licence Ref.	Licence Obligation	Audit Priority (1=highest 5=lowest)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
	the Licensee following the expiry of the 21 day period.			
21(b)	<p>To ensure the effectiveness of such a process the licensee shall, as a minimum:</p> <ul style="list-style-type: none"> (i) record details of each Customer Complaint and its outcome; (ii) provide an officer trained to deal with Customer Complaints who is authorised to, or has access to another officer who has the authority to, make the necessary decisions to settle Customer Complaints or disputes, and where applicable, make recommendations to the Licensee as to the payment of monetary compensation; and (iii) make such arrangements as are necessary to ensure that, as much as possible, Complaints can be resolved in the timeframes set out in subclause (a). 	4	A spreadsheet is used to capture the details and the outcome. Currently the Engineering Technical Officer deals with any complaints or events. All complaints noted in the spreadsheet were resolved within required timeframes.	5
21(c)	Where a dispute arises between a Customer and the Licensee regarding a provided or requested water service, the Customer may refer the dispute to the Department.	4	The Customer Service Charter outlines the dispute process and informs customers that they can refer the dispute to the Department of Environment, and includes the appropriate contact details.	5
21(d)	Unless the Complaint or dispute is a matter in relation to which section 3.22 of the Local Government Act 1995 applies, where a dispute has not been resolved within 21 days the Licensee must inform the Customer of the option of referring their Complaint to the Department.	4	All complaints appear to have been resolved within 21 days. The Charter clearly states that if matters are not cleared up to the Customer's satisfaction within 21 days then they may refer the matter to the Water Services Planning Branch (WSPB) of the Department of Environment.	5
21(e)	The Department may nominate a relevant body to:	4	N/A	N/A

Licence Ref.	Licence Obligation	Audit Priority (1=highest 5=lowest)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
	(i) mediate disputes; or (ii) direct the licensee and customer to binding arbitration.			
21(f)	During the process of investigation and conciliation, the Licensee must make every endeavour to promptly cooperate with the Department (or its representative's), requests, which must include the expeditious release of any information or documents requested by the Department and the availability of the relevant staff of the Licensee.	4	N/A	N/A
21(g)	The Licensee must, on request, provide the Authority or the Department with details of Complaints made and the names and addresses of Customers who have made Complaints.	4	None requested.	N/A
19(a)	Customer Charter The Licensee must set out in writing the principles, terms and conditions upon which it intends to provide the Water Services to its Customers ('the Customer Service Charter').	4	The Customer Charter contains information on the rights and responsibilities of the customers and the Licensee, as well as the principles, terms and conditions.	5
19(b)	The Customer Service Charter: (i) should be drafted in 'plain English'; and (ii) should address all of the service issues that are reasonably likely to be of concern to its Customers.	4	The Customer Charter is clearly and succinctly written in 'plain English'. It contains information on services issues that are likely to be of a concern to the Licensee's customers: <ul style="list-style-type: none"> • The customers rights to water services • The customers rights to consultation and information • The customers rights to assistance, redress and compensation • Charges and accounts 	5

Licence Ref.	Licence Obligation	Audit Priority (1=highest 5=lowest)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
			<ul style="list-style-type: none"> • Connecting to the Licensee's services • Disconnection from the system • Enquiries, suggestions, complaints and disputes • The Licensee's Powers • Entry by the Licensee to the customers property • Rectifying defective work • Service interruptions • Maintenance • Limitation or withdrawal of services • Liability 	
19(c)	Different parts of the Customer Service Charter may be expressed to apply to different classes of Customers.	4	The current Charter, dated September 2006, does not identify any different classes of customers. Discussions with Shire staff confirmed this.	N/A
19(d)	The Licensee shall review the Customer Service Charter not less than once in every period of 36 months.	4	The current Charter is dated September 2006. It is due to be reviewed by September 2009.	5
19(e)	Any proposed amendment to the Customer Service Charter or replacement thereof must also be forwarded to the ERA for approval prior to implementation.	4	Discussions with Shire staff revealed that there are no plans to change in the near future.	5
19(f)	<p>The Licensee must make the Customer Service Charter available to its Customers in the following ways:</p> <ul style="list-style-type: none"> (i) by prominently displaying it in those parts of the Licensee's offices to which Customers regularly have access; (ii) by providing a copy, upon request, and at no charge, to a Customer; and 	4	<p>No copy was on display in the Shire's offices, however a copy would be provided on request and the Shire sends a copy annually to all residents.</p> <p>Recommendation: The Shire should keep a copy on display in their offices along with the other information brochures available for visitors.</p>	3

Licence Ref.	Licence Obligation	Audit Priority (1=highest 5=lowest)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
	(iii) by advising Customers of the availability of the Customer Service Charter on an annual basis.			
19(h)	It is a condition of the Licence that the Licensee provides services in a way that is materially consistent with its Customer Service Charter.	4	A review of the complaints records and reporting that is sent back to ERA indicates that the services provided are materially consistent with the Customer Service Charter.	5
18(a)	<p>Customer Consultation</p> <p>Prior to making major changes to the operation of a Water Service, such as the construction of new Water Service Works or significant expansion of the Water Service Works, the Licensee will:</p> <p>(i) hold a public meeting to obtain Customer views on the performance and operation of the Water Service Works; or</p> <p>(ii) advertise for written submissions on the proposal.</p>	4	There have only been upgrades completed during the audit period, no major changes were made. Therefore there was no need for specific customer consultation.	N/A
18(b)	The Licensee must allow Customers to raise matters of concern regarding the Water Services at public question time in accordance with the Local Government Act 1995.	4	Customers are able to raise matters at the regular Shire meetings. One of the Shire councillors also lives at Peaceful Bay.	5
22	<p>Customer Survey</p> <p>(a) Where an issue arises that the Authority considers to be of concern to Customers, the Authority may require the Licensee to commission an independent Customer survey that must address and conform to the conditions and parameters set out in writing by the Authority.</p>	N/A	No requests were made during the audit period for a survey.	N/A

Licence Ref.	Licence Obligation	Audit Priority (1=highest 5=lowest)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
	(b) Such a survey will not be required more frequently than once every 12 months			
12(a)	Breach of Licence If the Licensee contravenes this Licence, the Authority, pursuant to section 39 of the Act, may serve a notice on the Licensee requiring the Licensee to rectify the contravention within 30 days or other such time as the Authority deems reasonable.	3	Discussions with staff revealed no breaches had occurred.	5
12(b)	If the contravention has not been rectified within the period specified in clause 12(a), the Authority, pursuant to section 39 of the Act, may order the Licensee to pay a monetary penalty.	3	N/A	N/A
12(c)	Any monetary penalty ordered by the Authority must not exceed \$100,000.	3	N/A	N/A
12(d)	Subject to section 41 of the Act, before taking action under clause 12(b) of this Licence, the Authority: (i) will provide the Licensee with written notice that it has failed to comply with the notice issued under clause 12(a); and (ii) will provide the Licensee with 14 days, or other such time as the Authority deems reasonable, to make submissions on the matter.	3	N/A	N/A
14(a)	Interruption Reporting The Licensee must report to the Authority the occurrence of any interruption to Water Services greater than one hour, whether planned or unplanned, affecting 50 or more Connections.	3	None occurred within audit period.	N/A

Licence Ref.	Licence Obligation	Audit Priority (1=highest 5=lowest)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
14(b)	The report in clause 14(a) must be in writing and must be provided within 5 days of the interruption.	3	N/A	N/A
14(c)	The report in clause 14(a) must include: <ul style="list-style-type: none"> (i) the reasons the interruption was required; (ii) the dates of the interruption; (iii) the numbers of Customers affected; (iv) the nature and extent of the interruption; and (v) the steps, if any, the Licensee intends to take to minimise the risk of such an event or interruption recurring. 	3	N/A	N/A
14(d)	The Authority may require the Licensee to provide a further detailed written report regarding the interruption and the Licensee must provide such report within 14 days of being asked to do so by the Authority.	3	N/A	N/A
14(e)	Annual Performance Reporting The Licensee shall report the information set out in Schedule 3. The reports are due within 30 days of the end of each financial year.	3	The last report was sent on 14 th August 2006, This was two weeks later than the licence requirements, also the energy cost in kW were not reported on. Recommendation: The Shire should ensure the reports are received by the ERA within 30 days of the end of the financial year and also include the energy cost in kW.	4
14(f)	Licence renewal notification The Licensee must, within 10 months of the grant of this Licence, inform the Authority whether it intends to: <ul style="list-style-type: none"> (i) apply to renew the Licence; (ii) request the Authority to revoke the Licence; or (iii) apply for a new licence including, but not limited to, a licence for potable water 	3	Audit sighted a letter from the ERA dated 1 st June 2006 where the Shire applied to renew the licence and this was accepted by the ERA. The renewed licence is still only for non-potable services provided in the Peaceful Bay area.	5

Licence Ref.	Licence Obligation	Audit Priority (1=highest 5=lowest)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
	supply services.			
15(a)	Compliance with Reporting Standards The Licensee must comply with the quality and performance standards set out in Schedule 2.	3	From the reports provided to the ERA, it would appear that he Shire is compliant.	5

3.4 INTEGRITY OF PERFORMANCE REPORTING

The information is collated manually and entered into spreadsheets for calculations. The previous report was two weeks late and did not include the energy cost in kW for the scheme. The audit recommendations are noted in Section 3.3 above.

3.5 RECOMMENDED CHANGES TO THE LICENCE

The licence requires the Licensee to undertake the operational audit once every 12 months or a longer period as the Authority allows. It is recommended that the licensee's operational audit frequency be increased to 24 months.

3.6 CONCLUSION

The audit concluded that the licence obligations are being complied with apart from two relatively minor exceptions, being the annual performance reporting being two weeks late and the need to prominently display the Customer Service Charter in the Shire's Reception area.

Overall, the Shire has a well established process to ensure compliance with the licence requirements.

4. Asset Management Review

The effectiveness of the Shire's asset management system for the Peaceful Bay non-potable water supply was assessed using the Asset Management System (AMS) Effectiveness Matrix provided by the ERA in the Audit Guidelines.

The matrix provides criteria to assess the effectiveness of the following key processes:

- Asset planning;
- Asset creation/acquisition;
- Asset disposal;
- Environmental analysis;
- Risk management;
- Contingency plans;
- Asset management plan;
- Asset management information system;
- Asset register;
- Operational plans;
- Maintenance plans;
- Financial plans;
- Capital expenditure planning; and
- Review.

The review assessed the above key processes of the asset management system and a compliance rating using the scale in section 2.6 was assigned to each process, as shown in Section 4.1.

Section 4.2 provides details of the current status of recommendations from the previous review.

Section 4.3 provides further details of the systems and the effectiveness rating of each process in the Asset Management System.

4.1 SUMMARY OF EFFECTIVENESS RATINGS

The audit assessment of the effectiveness ratings for each process in the Asset Management System is shown in the table below.

ASSET MANAGEMENT SYSTEM		Not Performed	Performed Informally	Planned and tracked	Well defined	Quantitatively Controlled	Continuously Improving
Process	Effectiveness Rating	0	1	2	3	4	5
Asset planning							
Asset creation/ acquisition	N/A						
Asset disposal							
Environmental analysis							
Asset operations							
Asset maintenance							
Asset Management Information System							
Risk management							
Contingency planning							
Financial planning							
Capital expenditure planning							
Review of Asset Management System							

Section 4.3 provides further details of the systems and the effectiveness rating of each process in the Asset Management System.

4.2 PREVIOUS AUDIT RECOMMENDATIONS

As this is the first audit of the Peaceful Bay Scheme, there are no previous recommendations.

4.3 AUDIT RESULTS AND RECOMMENDATIONS

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
1	ASSET PLANNING		
1.1	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	No new assets are planned for the scheme, only ongoing repairs and maintenance, and replacements of existing infrastructure as required. These are budgeted in the Capital Plan in the Asset Management Plan (AMP) and the Shire's Plan For the Future,	3
1.2	Service levels are defined.	The level of service is clearly defined in the AMP. They include quantity, availability, pressure at connection and minimum storage capacity for the scheme.	3
1.3	Non-asset options (eg demand management) are considered.	The AMP includes in its contingency plans the use of water restrictions to cope with peak demand. This was implemented in December 2006 for two weeks.	3
1.4	Lifecycle costs of owning and operating assets are assessed.	The AMP capital expenditure plan includes all the capital costs. Operating costs are calculated in each yearly budget.	3
1.5	Funding options are evaluated.	Discussions with Shire staff indicate that lease charges are the main source of funds for the Scheme.	3
1.6	Costs are justified and cost drivers identified.	Asset lifecycle identified in the AMP and used to justify maintenance and replacement.	3

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
1.7	Likelihood and consequences of asset failure are predicted.	The capital expenditure plan identifies the effective and current life of the major capital items. Their replacement cost is factored into the Capital Plan. The Risk Management section of the AMP includes likelihood and consequences.	3
1.8	Plans are regularly reviewed and updated.	There is a section in the AMP for reviewing, who is responsible and when it is due. Recommendation: Parts of the plan were due for review in September 2006, these should be reviewed and the AMP updated accordingly.	2
2	ASSET CREATION/ ACQUISITION		
2.1	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	No new assets are planned, only upgrades and maintenance to the existing system.	N/A
2.2	Evaluations include all life-cycle costs.	No new assets are planned, only upgrades and maintenance to the existing system.	N/A
2.3	Projects reflect sound engineering and business decisions.	No new assets are planned, only upgrades and maintenance to the existing system.	N/A
2.4	Commissioning tests are documented and completed.	No new assets are planned, only upgrades and maintenance to the existing system.	N/A
2.5	Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	No new assets are planned, only upgrades and maintenance to the existing system.	N/A
3	ASSET DISPOSAL		
3.1	Under-utilised and under-performing assets are identified as part of a regular systematic review process.	Annual inspections are completed on the system, any issues identified are listed as items for action and a proposal is put forward to include in the following year's budget.	3

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
3.2	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	Upgrades currently undertaken were identified in the AMP and are justified in the Capital Investment Plan. These are almost complete.	3
3.3	Disposal alternatives are evaluated.	N/A	N/A
3.4	There is a replacement strategy for assets.	Yes, the Capital Investment Plan identifies the required investment over the next 15 years. The Shire's Plan for the Future provides more detail for the next five years and the annual budget allocates funding for the next 12 months.	4
4	ENVIRONMENTAL ANALYSIS		
4.1	Opportunities and threats in the system environment are assessed.	There is not a specific section in the AMP on opportunities and threats for the system, but there is a section on the existing environment that describes external factors. The Risk Management section of the AMP lists the threats to the system and the controls in place to mitigate the risks.	3
4.2	Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved.	A report is provided as per Schedule 3 to the ERA on an annual basis.	3
4.3	Compliance with statutory and regulatory requirements.	Yes, the Engineering Technical Officer is responsible for monitoring the scheme to ensure that it is run in compliance with statutory and regulatory requirements. Any incidents are recorded and reported where appropriate.	3
4.4	Achievement of customer service levels.	The performance standards in regards to emergency response and customer complaints appear to have been met for the audit period.	3

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
5	ASSET OPERATIONS		
5.1	Operational policies and procedures are documented and linked to service levels required.	The AMP includes policies and procedures for operation of the scheme. This includes the collection of data that relate to the desired levels of service, some of this has not been collected yet due to upgrades which are due to be completed soon including the installation of water meters.	2
5.2	Risk management is applied to prioritise operations tasks.	Yes, the risk analysis covers threats to operations and the response. The risks are allocated a priority rating.	3
5.3	Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data.	The assets are recorded in the accounts for depreciation purposes and also are described in various sections of the AMP. A lot of this is already in the Capital Investment Plan table, but more information is needed, particularly condition and location, which should include GPS coordinates. Recommendation: A separate Asset Register based on the Capital Investment Plan should be included in the AMP with additional details including condition and location coordinates.	2
5.4	Operational costs are measured and monitored.	Operational costs are recorded in the general ledger. A general ledger extract for the current year was checked as part of the review. All expenditure is monitored and reported to the Council at each monthly meeting.	4
5.5	Staff receive training commensurate with their responsibilities.	Staff are reasonably experienced with the system. The Engineering Technical Officer suggested that he would benefit by receiving some Asset Management training. Some on the job training and plant familiarity training is provided as needed at the Shire. Recommendation: The Shire should consider providing Asset Management training for the Engineering Technical Officer.	2
6	ASSET MAINTENANCE		

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
6.1	Maintenance policies and procedures are documented and linked to service levels required.	<p>The maintenance procedures in the AMP are described as an interim guide only and the details of maintenance are to be included in the Operations and Maintenance Manual for the Scheme – this is yet to be completed.</p> <p>Recommendation: The maintenance procedures should be fully documented in an Operations and Maintenance Manual for the Scheme. These procedures should be linked to the service levels required for the Scheme and include a risk management framework that prioritises maintenance tasks.</p>	1
6.2	Regular inspections are undertaken of asset performance and condition.	A comprehensive annual inspection is completed plus further inspections are completed every four weeks or better. All results are documented and recorded into spreadsheets.	3
6.3	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	<p>The maintenance procedures in the AMP are described as an interim guide only and the details of maintenance are to be included in the Operations and Maintenance Manual for the Scheme – this is yet to be completed.</p> <p>Recommendation: The maintenance procedures should be fully documented in an Operations and Maintenance Manual for the scheme.</p>	1
6.4	Failures are analysed and operational/maintenance plans adjusted where necessary.	Discussions with the Engineering Technical Officer revealed that these would be on an as needs basis. No issues were noted within the audit period that would require an amendment to the plans.	2
6.5	Risk management is applied to prioritise maintenance tasks.	<p>Some maintenance requirements are covered in the Risk Analysis, however the maintenance section does not cover this in any detail.</p> <p>Recommendation: The maintenance procedures should be fully documented in an Operations and Maintenance Manual for the scheme and include a risk rating to prioritise maintenance tasks.</p>	1
6.6	Maintenance costs are measured and monitored.	All contract work or materials used require a purchase to be raised, this is raised by the incurring officer, usually the Engineering Technical Officer and authorised by the	4

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
		certifying officer, which is usually the Shire CEO. The Finance Manager monitors the shire expenditure and reports for the month at the Council meetings.	
7	ASSET MANAGEMENT INFORMATION SYSTEM		
7.1	Adequate system documentation for users and IT operators.	There is no dedicated Asset Management Information System. The Asset Management System is a combination of the AMP and supporting spreadsheets which are used to record complaints and compliance checks.	1
7.2	Input controls include appropriate verification and validation of data entered into the system.	A spreadsheet is used, but there are no input controls or formulas that check the input of data. However given that it is mostly not quantitative data, this is not seen as an issue	1
7.3	Logical security access controls appear adequate, such as passwords.	Spreadsheets are kept on the server, however there is a shared password for access to network, so access is not restricted to just those responsible for maintaining the records and documentation for the asset system. Recommendation: The spreadsheets should be kept in a restricted are on the network or a password for write permission should be added to the documents.	1
7.4	Physical security access controls appear adequate.	The Shire offices are locked and alarmed outside of hours.	3
7.5	Data backup procedures appear adequate.	Servers are backed up daily and the rotated tapes are kept on site in the Shire's fireproof site.	3
7.6	Key computations related to licensee performance reporting are materially	These come from a variety of different sources, discussions with Shire staff indicated that these are accurate.	3

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
	accurate.		
7.7	Management reports appear adequate for the licensee to monitor licence obligations.	<p>Ongoing monitoring, on an as needs basis. However there are no management reports. ERA reports go to the CEO for sign-off before sending, and CEO is kept informed on all correspondence in the shire.</p> <p>Recommendation: The AMP includes a number of performance measures on quantity, availability, pressure and storage capacity. This information should be collected monthly and reported to the CEO along with details on any emergency responses and customer complaints reported during the month.</p>	1
8	RISK MANAGEMENT		
8.1	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	There is Risk Management process and policy is in place and this is documented in the AMP.	3
8.2	Risks are documented in a risk register and treatment plans are actioned and monitored.	<p>Eight risks have been identified in the AMP:</p> <ul style="list-style-type: none"> • Non potable water utilised for potable use • Power failure • Bore pump or pipeline failure • Transfer pump or pipe failure • Peak demand exceeds supply capacity of bore and dam • Reticulation failure or leakage 	3

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
		<ul style="list-style-type: none"> • Increase in Suspended solids in water • Water storage failure <p>Controls and treatment plans are outlined in the Risk Analysis, more details are provided in the Contingency Plan and Incident Management section of the AMP.</p> <p>Demand during the summer period saw water restrictions being enacted for two weeks as per the AMP.</p>	
8.3	The probability and consequences of asset failure are regularly assessed.	The Risk Register includes the probability and consequences of asset failure in the system. The AMP specifies that these are the responsibility of the Shire Engineer and they should be reviewed annually.	3
9	CONTINGENCY PLANNING		
9.1	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	<p>The AMP contains contingency plans for various threats to the system. They have not been tested.</p> <p>Recommendation: The AMP should be updated to include testing requirements for response plans listed in the contingency plan.</p>	2
10	FINANCIAL PLANNING		
10.1	The financial plan states the financial objectives and strategies and actions to achieve the objectives.	The Shire has a strategic plan, a “Plan for the Future” which goes for five years and covers expected expenditure over that time and there a detailed yearly budget.	4
10.2	The financial plan identifies the source of funds for capital expenditure and recurrent costs.	Funds come from rates, grants, fees, charges and borrowings. Lease charges cover the operating costs for the Peaceful Bay scheme. The “Plan for the Future” identifies the source of funds for capital works over the next five years of operations.	4

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
10.3	The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	Detailed projections for the next 12 months are provided in the annual budget.	4
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	The “Plan for the Future” provides details for the next five years on income and expenditure as well as details on any capital works. The AMP includes a Capital Investment Plan which covers expenditure over a 15 year period.	4
10.5	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	The budget provides detailed expenditure for the next 12 months including operations, maintenance, administration and capital expenditure. The “Plan for the Future” provides details for the next five years and the AMP includes a Capital Investment Plan which covers expenditure over a 15 year period.	4
10.6	Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.	The Finance Department monitors this and reports to the Council on a monthly basis. This is detailed in the Council minutes.	4
11	CAPITAL EXPENDITURE PLANNING		
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	The capital expenditure plan in the AMP is divided into three periods: 2005 to 2010, 2010 to 2015 and 2015+. The “Plan for the Future” provides more details on the activity, objectives, performance measures, timing of expenditure and funding.	4
11.2	The plan provide reasons for capital expenditure and timing of expenditure.	The AMP simply lists the reason for timing and expenditure as based on the expected life and replacement value of the existing assets.	4
11.3	The capital expenditure plan is consistent with the asset life and	The Capital Investment Plan in the AMP includes the expected life of the scheme's assets and this is used to determine the timing of expenditure. This information is then	4

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
	condition identified in the asset management plan.	detailed in the “Plan for the Future” when the plan identifies the need for replacement.	
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	The AMP includes a policy for capital expenditure, it was due to be reviewed in September 2006, but it does not identify who is responsible for updating it. Recommendation: The AMP should be reviewed and updated as per the review schedule.	2
12	REVIEW OF AMS		
12.1	A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.	The AMP includes a section that describes how frequently the sections within the AMP are updated. The AMP is dated 24 November 2005. The following sections were due to be reviewed and/or updated in September 2006. <ul style="list-style-type: none"> • Water Services Description • Asset Condition and Performance • Risk Assessment; and • Capital Investment Plan. Recommendation: These sections should be reviewed and the AMP updated as required.	2
12.2	Independent reviews (eg internal audit) are performed of the asset management system.	The Shire does not have to complete an independent review of the asset management system. They are reliant on the ERA review for this function.	2

4.3 CONCLUSION

The review of the Asset Management System shows that base practices are in place, and the processes are planned and tracked. The main exceptions relate to reviewing the Asset Management Plan, inclusion of asset condition and location in the asset register, more detailed asset operations and maintenance procedures, greater security for the complaints/ incident register and more formalised regular reporting on the Scheme to the CEO. However, generally, the Asset Management System is appropriate and adequate, for the Shire's operations.

END OF REPORT