



Shire of Morawa

Audit Report

Water Licence Operational Audit and Asset Management Review

Final Report
17 February 2009

ABN 53 113 145 636 Liability limited by a scheme approved under Professional Services Legislation

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TABLE OF CONTENTS

Executive Summary	2
INTRODUCTION.....	2
CONCLUSION	2
SIGN-OFF.....	3
LICENSEE ACTION PLAN	4
1. Background.....	11
2. Audit Approach	12
2.1 OBJECTIVES AND SCOPE.....	12
2.2 AUDIT PERIOD AND TIMING	12
2.3 LICENSEE'S REPRESENTATIVES PARTICIPATING IN THE AUDIT.....	12
2.4 KEY DOCUMENTS EXAMINED	12
2.5 COMPLIANCE RATINGS	13
2.6 EFFECTIVENESS RATINGS	14
2.7 AUDIT TEAM AND HOURS.....	14
3. Operational Audit	15
3.1 SUMMARY OF COMPLIANCE RATINGS	15
3.2 PREVIOUS AUDIT RECOMMENDATIONS	16
3.3 AUDIT RESULTS AND RECOMMENDATIONS.....	18
3.4 INTEGRITY OF PERFORMANCE REPORTING	30
3.5 RECOMMENDED CHANGES TO THE LICENCE	30
3.6 CONCLUSION.....	30
4. Asset Management Review	31
4.1 SUMMARY OF EFFECTIVENESS RATINGS	32
4.2 PREVIOUS AUDIT RECOMMENDATIONS	33
4.3 AUDIT RESULTS AND RECOMMENDATIONS	37
4.4 CONCLUSION.....	54

Executive Summary

INTRODUCTION

The Shire of Morawa ("the Shire") has an operating licence issued by the Economic Regulation Authority ("the Authority") to provide non-potable water supplies and sewerage services in the operating area that are centred on the township of Morawa.

The Morawa sewerage scheme was originally constructed during 1979 and expanded in 1999. The scheme is operated by the Shire of Morawa and includes a gravity reticulation system, one pump station and rising main, a treatment plant and an effluent re-use scheme serving 229 residential and 26 non-residential properties. The scheme collects and treats approximately 75,000 KL annually of residential and commercial liquid wastes and re-uses approximately 65,000 KL annually on spray irrigation of the town's ovals.

The scheme consists of 6.2 km of gravity mains and 1.1 km of pressure main. The 2 primary and secondary treatment ponds have a storage capacity of 5,800 m³ and the effluent re-use storage pond has a capacity of 7,500 m³.

This audit comprised an Operational Audit of the Shire'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 three years from the previous audit being 1 December 2005 to 30 November 2008.

CONCLUSION

Operational Audit

Through the execution of the Audit Plan and assessment and testing of the control environment, the information system, control procedures and compliance attitude - the audit team members have gained reasonable assurance that the Shire of Morawa has complied with the performance and quality standards of its Water Services Operating Licence during the audit period 1st December 2005 to 30th November 2008 apart from:

- The 2005/06 performance report being over two months late. Moreover, as the information for the annual performance reports come from a variety of sources, the performance reporting process needs to be formalised and documentation created to explain where and how to obtain the required information.

The previous audit recommendations for notification of the Customer Service Charter and setting up a Complaints Register have not yet been actioned. The previous audit recommendations regarding updating the Asset Management Plan, pipeline inspection and emergency contact numbers have been completed.

The audit also recommended that a Compliance Checklist be established to ensure that performance reporting per the licence conditions continue to be met.

Asset Management Review

The review of the asset management system shows that processes are well-defined and monitored in practice, with the exception of:

- The Risk Assessment needs to be revised following the Risk Assessment Methodology outlined in the AMP and in the Risk Assessment excel spreadsheet and identified risks need to be consolidated; and
- More detailed contingency plans documenting the steps needed to deal with an unexpected failure of a system, process or procedure need to be developed and tested on an annual basis.

Overall, the Asset Management System is appropriate and adequate for the Shire's operations.

The previous audit recommendations regarding risk analysis, contingency plans and capital expenditure planning are partially completed. Other recommendations concerning updating the AMP, environmental analysis, asset management system analysis and financial planning have been completed.

Summary of Issues and Recommendations

The following Licensee Action Plan provides a summary of the issues and recommendations for the operational audit and asset management review with provision for management responses from the Shire of Morawa. The recommendations include suggested improvements to the existing controls and Asset Management System to improve the effectiveness and reliability of the controls and systems.

SIGN-OFF

We confirm that the Economic Regulation Authority's 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
DIRECTOR

17 FEBRUARY 2009

LICENSEE ACTION PLAN

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
1	Operational Audit				
1.1	<p>Incident Reporting (CI.14(a),(b))</p> <p>As per the Schedule 3 Reports, the Shire of Morawa reported one sewerage overflow attributable to a blockage or failure in the licensee's infrastructure for 2005/06, one sewerage overflow for 2006/07 and one sewerage overflow for 2007/08. The EHO advised that the overflow reported was an error and the report should have shown nil overflows.</p> <p>However, we were unable to identify any documented process to ensure that any overflows are reported to the ERA in future, within 5 days of their occurrence.</p>	3	Develop and implement a compliance schedule with timeframes for incident reporting noted in the schedule to ensure regulatory timeframes are met in case of overflows occurring.	<i>A compliance schedule will be developed and implemented.</i>	EHO 31 May 2009
1.2	<p>Annual Performance Reporting (CI.14, Schedule 3)</p> <p>Audit noted that although the annual performance reports for 2006/07 and 2007/08 were submitted within the required time. The 2005/06 report has been submitted to the Authority in September 2006 and therefore not on time in compliance with the licence requirements. There is no system in place to ensure the timely submission of reports and the submission of reports is purely reactionary to the reminder received from the ERA.</p> <p>The information for the reports comes from a variety of sources. However, information as to where and how to source the required data is not documented.</p>	2	<p>Develop and implement a compliance schedule with timeframes for annual performance report submission included as part of the schedule of events to ensure regulatory timeframes are met. The compliance schedule will also help to meet regulatory timeframes by the replacement staff in case of the Shire's EHO unavailability due to leave or illness.</p> <p>Create documentation to explain where and how to source the required information; and file and keep copies of the source information together with a copy of the Schedule 3 Annual Performance Report to allow easier checking of the validity of the results.</p>	<p><i>A compliance schedule will be developed and implemented.</i></p> <p><i>Documentation explaining where and how to source the required information will be created; and copies of the source information will be filed and kept together with the Annual Performance Report.</i></p>	<p>EHO 31 May 2009</p> <p>EHO 31 May 2009</p>

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
1.3	<p>Customer Complaints (CI.20)</p> <p>As confirmed by the Shire's EHO, there were no complaints received during the audit period. No written customer complaints were reported to the Authority as per the Annual Performance Reports during the audit period.</p> <p>In case a complaint is received, Shire of Morawa Notice of Item Requiring Attention form is to be completed. However, it was noted that the Complaints Register has not been set up yet.</p>	3	<p>A Complaints Register should be developed and maintained by the Shire in order to improve internal control over the recording and reporting of complaints (and procedures documented).</p> <p>Each customer complaint received by the Shire and its outcome should be recorded in the Complaints Register in sufficient details in order to be able to ascertain:</p> <ul style="list-style-type: none"> o Date and time the complaint was received; o Name of the complainant; o Who received the complaint; o Method of complaint; o Details of the complaint; o Time from report of the complaint to action; o Details of the action taken; o Name of person authorising; and o Date/ time responded. 	<p><i>The Complaints Register will be developed and maintained by the Shire; and complaints recording and reporting procedures will be documented.</i></p> <p><i>Each customer complaint received by the Shire and its outcome will be recorded in the Complaints Register in sufficient details to reflect the recommendation.</i></p>	<p>EHO 30 June 2009</p>
1.4	<p>Asset Management System (CI.6)</p> <p>The AMP contains a section on Monitoring and Review Procedures that require the AMP to be reviewed five yearly and reissued when changes occur to the current system, processes and procedures. The maintenance and capital investment plans shall be revised annually. However, the audit noted that the requirement to notify any changes to the system to the Authority is not stated in the AMP's review procedures.</p> <p>The effectiveness of the Asset Management System is</p>	4	<p>Update the Monitoring and Review Procedures section of the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within the required timeframe.</p> <p>Develop and implement the compliance schedule with Asset Management System review dates included as part of the schedule of events to ensure regulatory timeframes are met.</p>	<p><i>The Monitoring and Review Procedures section of the Asset Management Plan will be updated to reflect the recommendation.</i></p> <p><i>A compliance schedule will be developed and implemented; and the required timeframes for the notification of the</i></p>	<p>EHO 31 August 2009</p> <p>EHO 31 May 2009</p>

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
	currently being audited and the final report will be provided to the Authority by due date. However, we did not identify a process in place to ensure that the timeframes would be met. The implementation of the Asset Management System review was reactionary to a note sent by ERA and not planned.		Note the required timeframes for the notification of the asset management system changes to the Authority in the compliance schedule to ensure regulatory timeframes are met in case of changes occurring in the asset management system.	<i>asset management system changes to the Authority noted in the schedule to reflect the recommendation.</i>	
1.5	<p>Operational Audit (CI.7)</p> <p>This performance audit is now being undertaken.</p> <p>However, we did not identify a process in place to ensure that the timeframes would be met. The implementation of the Operational Audit was reactionary to a note sent by the ERA and not planned.</p>	4	Develop and implement a compliance schedule with Operational Audit dates included as part of the schedule of events to ensure regulatory timeframes are met.	<i>A compliance schedule will be developed and implemented.</i>	EHO 31 May 2009
1.6	<p>Customer Charter (CI.19)</p> <p>The Shire of Morawa Customer Service Charter has been reviewed in June 2008 and approved by the ERA on 30 June 2008.</p> <p>The audit found that the Shire of Morawa has submitted their new charter for approval within an acceptable timeframe. However, we did not identify a process in place to ensure that the timeframes would be met. The review and submission of the Customer Service Charter was reactionary to a note sent by ERA and not planned.</p> <p>Audit confirmed through sighting that the charter is prominently displayed at the office reception, and through the discussion with the Shire's EHO that the charter is provided upon request and at no charge to the customers.</p> <p>However, the audit was not able to establish that the Shire of Morawa is advising its customers of the</p>	4	<p>Increase accessibility of the Charter by making the Customer Charter available to customers on their website.</p> <p>Advise its customers on the availability of the Customer Service Charter on an annual basis.</p> <p>Develop and implement the compliance schedule with a Customer Service Charter review dates included as part of the schedule of events to ensure regulatory requirements are met.</p> <p>Note the Customer Service Charter annual notification requirement in the compliance schedule to ensure that customers are advised of the availability of the Customer Service Charter on an annual basis.</p>	<p><i>The Customer Service Charter will be made available to customers on the Shire's website.</i></p> <p><i>A compliance schedule will be developed and implemented; and the Customer Service Charter annual notification requirement will be noted in the schedule to reflect the recommendation.</i></p>	<p>Finance Manager 30 June 2009</p> <p>EHO 31 May 2009</p>

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
	availability of the customer service charter on an annual basis. Also, no process is in place to ensure that the Customer Service Charter availability notification will be provided to the Shire's customers on an annual basis.				
2	Asset Management Review				
2.1	Environmental Analysis The AMP section on Regulatory Requirements outlining the requirements of the operating licence for the sewerage services need to be updated in line with the new operating licence issued to the Shire of Morawa on 6 th August 2008.	4	Update the Asset Management Plan in line with the requirements of the new operating licence for the sewerage services issued to the Shire of Morawa on 6th August 2008.	<i>The Asset Management Plan will be updated to reflect the recommendations.</i>	EHO 31 August 2009
2.2	Risk Management The Risk Management Methodology is outlined in the AMP. The Risk Assessment excel spreadsheet has been completed for water services operating licence risks and access chambers and gravity mains. However, the sewerage pump station and wastewater treatment plant risk assessment lacks assessment of adequacy of controls and priority and the risk assessment for effluent re-use has not been completed at all. Some other risk events have been also identified in the "Mitigation and Management Strategies" section of the AMP such as earthquake, major storm, plant failure etc. but there appears to be no link between the risk assessments in the Risk Assessment excel spreadsheet and the risk identified in the AMP. Moreover, there appears to be some inconsistency in risk assessment for example Plant failure was identified as a risk in the AMP, but the risk assessment in the excel spreadsheet rated the inherent risk of wastewater treatment plant failure as low. Also some potential risks might not have been	2	Revise the Risk Assessment following the Risk Assessment Methodology outlined in the AMP and in the Risk Assessment excel spreadsheet and consolidate the risks identified. Update the Risk Assessment excel spreadsheet in line with the new operating licence for the sewerage services issued to the Shire of Morawa 6th August 2008.	<i>The Risk Assessment will be revised and the identified risks consolidated to reflect the recommendation.</i> <i>The Risk Assessment excel spreadsheet will be updated in line with the new water services operating licence.</i>	EHO 31 October 2009

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
	<p>identified such as the power failure, pump failure etc.</p> <p>Also, the Risk Assessment excel spreadsheet needs to be updated in line with the new operating licence for the sewerage services issued to the Shire of Morawa on 6th August 2008.</p> <p>Overall, the risk assessment for asset management planning is very basic. The Shire needs to revise its risk assessment and to consolidate the risks identified.</p>				
2.3	<p>Contingency Planning</p> <p>There are basic contingency planning and procedures outlined in the Risk Management section of the Asset Management Plan, but these are over-reliant on individual knowledge. Contingency plans need to be clear enough for someone not directly involved in the day to day operations to be able to successfully action the plan.</p> <p>More detailed contingency plans documenting the steps needed to deal with an unexpected failure of a system, process or procedure need to be developed.</p> <p>The contingency plans have not been tested.</p>	1	<p>Following the risk assessment, a set of contingency plans or emergency procedures should be developed by the Shire to cover situations identified in the risk assessment as being a major or significant risk. For example bushfire affecting ponds or reticulation equipment; reticulation pump or electrical failure; chlorinator failure; extreme rainfall events/water overflows from the ponds; pipeline burst or blockages etc..</p> <p>The contingency plans should include:</p> <ul style="list-style-type: none"> o Detailed procedures; o Key local contact details – name, number and location; o Communication protocols; o Specifications, location and availability of emergency equipment; and o Authorities that need to be contacted and when. <p>Once developed, the contingency plans should be reviewed and tested on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and</p>	<p><i>A set of contingency plans will be developed to cover situations identified in the risk assessment as being a major or significant risk.</i></p> <p><i>The contingency plans will be then reviewed and tested on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency.</i></p>	<p>EHO 31 October 2009</p> <p>EHO 31 October 2009</p>

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
			that appropriate persons are aware of their responsibilities in cases of emergency.		
2.4	<p>Capital Expenditure Planning</p> <p>The AMP states that “The value of the five year capital expenditure by asset category is not detailed until an asset condition report is received from GHD Engineering.”</p> <p>As confirmed by the Shire’s EHO the asset condition report mentioned is actually a CCTV inspection and condition report compiled by Perth Pressure Jet Services in May 2008 which separated the Shire’s sewerage scheme assets into the 5 risk categories. As confirmed by the Shire’s EHO, the Shire has already budgeted for category 4 and 5 being urgent and urgent in the short term respectively, with the rest to be attended in the next couple of years. The capital expenditure plan, however, still needs to be developed to reflect the CCTV inspection assessment.</p>	3	Update the “Capital Investment Program” section of the AMP for the five year capital expenditure by asset category once based on the CCTV inspection and condition report compiled by Perth Pressure Jet Services in May 2008.	<i>The AMP will be updated.</i>	EHO 31 October 2009
2.5	<p>Review of Asset Management System</p> <p>The AMP contains a section on Monitoring and Review Procedures that require the AMP to be reviewed five yearly and reissued when changes occur to the current system, processes and procedures. The maintenance and capital investment plans shall be revised annually.</p> <p>The audit noted that the requirement to notify any changes to the system to the Authority is not stated in the AMP’s review procedures. This issue is already covered by the Recommendation 1.4.</p> <p>The back page of the AMP contains “Document Status” table that outlines the revision number, the author, the</p>	3	<p>The Asset Management Plan should be reviewed in more frequent intervals i.e. annually and reissued when changes occur. Accompanying excel spreadsheet should be updated during the year as required and revised annually.</p> <p>Keep track of all reviews of the Asset Management Plan.</p> <p>Ensure the “Document Status” table is updated every time change to the Asset Management Plan occur and the Asset Management Plan is reissued.</p>	<p><i>AMP is generally reviewed in April of each year in the development of the following annual Shire budget.</i></p> <p><i>The track of all reviews of the AMP will be kept by the Shire.</i></p> <p><i>The ‘Document Status’ table will be updated every time the Asset Management Plan is reissued; and the table will</i></p>	<p>EHO 30 April 2009</p> <p>EHO 31 August 2009</p>

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
	<p>reviewer, and who approved the AMP for issue and when. The table notes that the AMP was approved for issue on 31/01/07, however, on the front page of the AMP is stated 17 March 2007. This suggests that either the "Document Status" has not been updated or some confusion exists as to the latest date of issue. Moreover, the users of the AMP could benefit from a brief description of changes to the document from the previous version.</p> <p>The Monitoring and Review Procedures in the AMP suggest review of the AMP in five yearly intervals and the maintenance and capital investment plans shall be revised annually.</p> <p>The "Document Status" table does not provide for recording details about routine reviews of the document that do not escalate into the reissue of the AMP.</p> <p>The operational audit and asset management system review identified that some sections of the AMP need to be updated to reflect current practices such as:</p> <ul style="list-style-type: none"> o Update the AMP in line with the requirements of the new operating licence for the sewerage services issued to the Shire of Morawa on 6th August 2008; and o Update the "Capital Investment Program" section of the AMP for the five year capital expenditure by asset category based on the CCTV inspection and condition report compiled by Perth Pressure Jet Services in May 2008; etc. 		<p>Modify the "Document Status" table to include a brief description of changes to the document from the previous version is recommended.</p> <p>Update the sections of the Asset Management Plan identified by the operational audit and the asset management system review as requiring amendment.</p>	<p><i>be modified to include a brief description of changes from previous version.</i></p> <p><i>The sections of the Asset management Plan identified as requiring amendment will be updated to reflect the recommendation.</i></p>	<p>EHO 31 August 2009</p>

1. Background

The Shire of Morawa (“the Shire”) has an operating licence issued by the Economic Regulation Authority (“the Authority”) to provide non-potable water supplies and sewerage services in the operating area that are centred on the township of Morawa.

The Morawa sewerage scheme was originally constructed during 1979 and expanded in 1999. The scheme is operated by the Shire of Morawa and includes a gravity reticulation system, one pump station and rising main, a treatment plant and an effluent re-use scheme serving 229 residential and 26 non-residential properties. The scheme collects and treats approximately 75,000 KL annually of residential and commercial liquid wastes and re-uses approximately 65,000 KL annually on spray irrigation of the town’s ovals.

The scheme consists of 6.2 km of gravity mains and 1.1 km of pressure main. The 2 primary and secondary treatment ponds have a storage capacity of 5,800 m³ and the effluent re-use storage pond has a capacity of 7,500 m³.

The Shire was initially granted an Operating Licence under the Water Services Coordination Act 1995 by the Western Australian Coordinator of Water Services on the 29th of April 1996 for the operation of water services (sewerage) at Morawa. The licence was renewed by way of substitution, on the 21st of May 1997 and 14th of June 2002. On the 30th of November 2004 the Economic Regulation Authority took over the responsibility of licence monitoring and issued by way of substitution a replacement licence.

In the Economic Regulation Authority’s Decision on Review of Water Services Licences – Amendment to all Water Operating Licences and the release of the Final Water Compliance Reporting dated 6th August 2008, the Authority approved the amendment by substitution of all water operating licences in line with the new form water operating licence template and approved the final form of the Water Compliance Reporting Manual. This licence amendment, however, had not been considered in conducting the operational audit and the asset management system review as yet. The operational audit and the asset management system review have been conducted against the previous licence conditions, as this was what was quoted on at 25th July 2008 before the new compliance manual and licences came into effect, and also as the Shire may not have had enough time to prepare for the revised conditions.

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 Authority; and
- Compliance with any individual licence conditions – any specific requirements imposed by the Authority or specific issues for follow-up that are advised by the Authority.

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 since the previous three-yearly audit, namely 1 December 2005 to 30 November 2008. The field audit visit was conducted on 1 December 2008.

2.3 LICENSEE'S REPRESENTATIVES PARTICIPATING IN THE AUDIT

- David Williams – Environmental Health Officer (EHO)
- Paul Buist – Principal Works Supervisor

- Gavin Treasure – Chief Executive Officer (CEO)

2.4 KEY DOCUMENTS EXAMINED

- Shire of Morawa Operating Licence dated 30/11/2004;
- Shire of Morawa Water Services Operating Licence dated 6/8/2008;
- Decision on Review of Water Services Licences – Amendment to all Water Operating Licences and the release of the Final Water Compliance Reporting Manual dated 6th August 2008;
- Morawa Operating Area (Sewerage and Non-potable water supply services) Plan No. OWR-OA-059;
- Shire of Morawa Sewerage Scheme Plans;
- Shire of Morawa 2005 Operational Audit and Asset Management System Review Final Report (dated January 2006) for the period December 2002 to November 2005;
- Shire of Morawa Annual Report and Financial Statements for the year ended 30th June 2007;
- Shire of Morawa 2008-2009 Budget;
- Minutes of the special meeting of council held in the Shire of Morawa council chambers Thursday 28th August 2008 to adopt 2008/2009 Budget;
- Shire of Morawa Strategic Plan – Plan for the future facilitation report;
- Shire of Morawa Customer Service Charter for Morawa Wastewater Services reviewed June 2008;
- Economic Regulation Authority Approval of Shire of Morawa Customer Service Charter 30 June 2008;
- Department of Environment Licence number 6857/8;
- Department of Environment fee receipt number 052412 (ref.L6857) for the payment of the Shire of Morawa licence fee;
- Shire of Morawa Asset Management Plan Sewerage and Effluent Reuse Scheme Assets dated March 2007;
- Shire of Morawa Waste Water Assets Management System – Asset Register excel spreadsheet;
- Shire of Morawa Waste Water Assets Management System – Asset Condition and Performance excel spreadsheet;
- Shire of Morawa Waste Water Assets Management System – Risk Assessment excel spreadsheet;
- Shire of Morawa Waste Water Assets Management System – Financial Management excel spreadsheets;
- Shire of Morawa Waste Water Assets Management System – Maintenance Management excel spreadsheets;
- Shire of Morawa Annual Performance Report (Schedule 3) to the Authority for the period 2005/06;
- Shire of Morawa Annual Performance Report (Schedule 3) to the Authority for the period 2006/07;
- Shire of Morawa Annual Performance Report (Schedule 3) to the Authority for the period 2007/08;
- Morawa Re-use Water Scheme – Water Sampling 2008;

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	No process in place

2.7 AUDIT TEAM AND HOURS

CONSULTANT	POSITION	HOURS
Geoff White	Partner	1
Shane Gallagher	Manager	7
Andrea Stefkova	Senior Consultant	7
	Total	15

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 key recommendations from the previous audit. Section 3.3 provides further details of the systems and the compliance assessment for each obligation.

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	Cl.12(b)	2	C	Medium	Strong						✓
Adherence to Regulation	Cl.5	N/A	N/A	N/A	N/A						
Asset Management System	Cl.6	2	C	Medium	Moderate					✓	
Operational Audit	Cl.7	2	C	Medium	Moderate					✓	
Adherence to Technical Standards	Cl.8	N/A	N/A	N/A	N/A						
Adherence to industry codes	Cl.9	2	C	Medium	Strong						✓
Accounting records up to standard	Cl.10	2	C	Medium	Strong						✓
Pricing/charges adhere to legislation	Cl.11	2	C	Medium	Strong						✓
Obligations to other licences adhered to	Cl.17	2	C	Medium	Strong						✓
Emergency telephone service operational	Cl.15(c)	3	C	High	Moderate					✓	
Customer service standards	Cl.15(d)(e)	3	B	High	Moderate					✓	
Non potable water – health directions	Cl.15(b)	3	B	High	Strong						✓
Services by agreement	Cl.16	2	B	Medium	Strong						✓
Contractors maintenance of standards	Cl.12(a)	3	B	High	Strong						✓
CUSTOMER SERVICE											
Customer complaints	Sch.20	2	B	Medium	Moderate			✓			
Customer Charter	Sch.19	2	C	Medium	Moderate					✓	
Customer consultation	Sch.18	2	C	Medium	Strong						✓
PERFORMANCE MONITORING											
Customer survey	Cl.21	N/A	N/A	N/A	N/A						
Incident reporting	Cl.14(a)(b)	2	B	Medium	Moderate			✓			
Annual performance reporting	Cl.14(c), Sch.3	2	B	Medium	Weak		✓				
Compliance with reporting standards	Cl.15(a), Sch.2	2	B	Medium	Moderate					✓	
INDIVIDUAL STANDARDS											
	N/A										

3.2 PREVIOUS AUDIT RECOMMENDATIONS

The status of the key recommendations in the previous audit report issued in January 2006 is summarised below.

Item No.	Recommendation	Action Taken	Closed
1	<p>Asset Management System (Cl.6)</p> <p>There was no AMP available for review at the time of the audit, nor was it known whether an update to the 1999 AMP had been produced. The AMP has not been updated since it was produced in 1999, there is no regular maintenance done on the sewerage and wastewater treatment system and, as a result, there is no knowledge among the staff as to what procedures are required for operation and maintenance.</p> <p><i>Recommendation: The Asset Management Plan must be updated immediately. As part of this, as Asset Maintenance Plan and Register must be updated, 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.</i></p>	<p>The Shire of Morawa Asset Management Plan has been updated on 17th March 2007 and Asset Maintenance Plan and Asset Register have been developed.</p> <p>Confirmed through discussion with the Shire's EHO that all appropriate staff is aware of the Asset Management Plan and of proper procedures for operations, maintenance and administration of the wastewater treatment system.</p> <p>Sighted the Asset Maintenance Plan displayed at the Workshop.</p>	Completed
2	<p>Charter - Overflows and Blockages</p> <p>The Shire of Morawa has experienced numerous blockages as a result of tree roots invading the pipe lines.</p> <p>It is recommended that a review of the performance and viability of pipe line replacement should occur.</p>	<p>The Scheme has had a CCTV inspection and condition report compiled by Perth Pressure Jet Services in May 2008 and potential blockages have had pressure jet maintenance.</p>	Completed
3	<p>Charter – Emergency Response</p> <p>The Shire of Morawa's emergency contact needs to be updated.</p>	<p>The Shire of Morawa's emergency contact numbers have been updated in Shire's Customer Service Charter as well as in the Asset Management Plan.</p>	Completed

Item No.	Recommendation	Action Taken	Closed
4	<p>Customer Service Charter (CI.19)</p> <p>The Charter also need to be displayed in a visible area in the Shire of Morawa's office and sent annually to customers.</p>	<p>Audit confirmed through sighting that the charter is prominently displayed at the office reception, and through the discussion with the Shire's EHO that the charter is provided upon request and at no charge to the customers.</p> <p>However, the audit was not able to establish that Shire of Morawa is advising its customers of the availability of the customer service charter on an annual basis. Also, no process is in place to ensure that the Customer Service Charter availability notification will be provided to the Shire's customers on an annual basis.</p> <p><i>The audit made a recommendation to improve the Shire's internal control over the Customer Service Charter annual notification. (Refer Action Plan item 1.6).</i></p>	Not Completed
5	<p>Dispute Resolution (CI.20)</p> <p>A verbal system where all the issues are dealt with on-site and immediately currently occurs.</p> <p>A Complaints Register should be set up and used for all complaints. This can be used to judge performance standards.</p>	<p>In case a complaint is received, Shire of Morawa Notice of Item Requiring Attention form is to be completed. However, it was noted that the Complaints Register has not been set up yet.</p> <p><i>The audit made a recommendation to improve the Shire's internal control over the Shire's complaints recording and reporting. (Action Plan item 1.3)</i></p>	Not Completed

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
Cl.2(b), Sch.1	<p>Water Services In Designated Areas</p> <p>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.</p>	5	<p>Maps are kept with the location of all assets related to the waste water services provided by the Shire of Morawa in the town of Morawa. These were compared with the operating area described in Schedule 1 (Plan No.: OWR-OA-059) of the Licence. All assets were found to be well within the specified operating area.</p> <p>Sighted Plan No.: OWR-OA-059 and the Shire of Morawa Asset Management Sewerage Scheme Plan.</p>	5 Fully compliant
Cl.12(b)	<p>Availability and Connection of Services</p> <p>The Licensee shall 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 reasonable conditions the Licensee may determine to ensure safe, reliable and financially viable supply of services to land in the Operating Area in accordance with this Licence and any relevant legislation. Satisfactory compliance with the conditions of Connection is an essential requirement of gaining approval to connect to the Licensee's schemes.</p>	4	<p>The process of connecting to the Shire's services is outlined in the Shire's Customer Service Charter.</p> <p>The Asset Management Plan updated 17 March 2007 outlines the demand forecast for wastewater assets. According to the plan future demand for services can be met by the existing system.</p> <p>However, as confirmed through discussion with the Shire's EHO, the Shire is expecting additional demand for services due to the mining boom in the Shire. As a result, the Shire is currently in the process of assessing the exact capacity of the sewerage scheme by the engineers.</p>	5 Fully compliant
Cl.5	<p>Adherence to Regulation</p> <p>The Licensee shall comply with Regulations prescribing standards of service made under section 61 of the Act.</p>	4	No regulations had been published at the time of the audit.	N/A
Cl.6	Asset Management System	4	The Shire's AMP has been updated on 17 March 2007.	4

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating
	<p>(a) The Licensee is to –</p> <p>(i) provide for an asset management system in respect of the Licensee's Water Service Assets;</p> <p>(ii) notify details of the system and any changes to it to the Authority; and</p> <p>(iii) not less than once in every of 36 months (or such longer period as the Authority allows), provide the Authority with a report by an independent expert acceptable to the Authority as to effectiveness of the system.</p> <p>(b) The asset management system is to set out the measures to be taken by the Licensee for the proper maintenance of Assets used in the provision of Water Services and for the undertaking, maintenance and operation of Water Services works.</p> <p>(c) The Licensee is to undertake, maintain and operate its Water Services Works in accordance with the processes set out in the asset management system.</p> <p>(d) The scope of the asset management system report under paragraph (a)(iii) will be set by the Authority.</p>		<p>The AMP contains a section on Monitoring and Review Procedures that require the AMP to be reviewed five yearly and reissued when changes occur to the current system, processes and procedures. The maintenance and capital investment plans shall be revised annually. However, the audit noted that the requirement to notify any changes to the system to the Authority is not stated in the AMP's review procedures.</p> <p>The effectiveness of the Asset Management System is currently being audited and the final report will be provided to the Authority by due date. However, we did not identify a process in place to ensure that the timeframes would be met. The implementation of the Asset Management System review was reactionary to a note sent by the ERA and not planned.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ Update the Monitoring and Review Procedures section of the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within the required timeframe. ▪ Develop and implement a compliance schedule with Asset Management System review dates included as part of the schedule of events to ensure regulatory timeframes are met. ▪ Note the required timeframes for the notification of the asset management system changes to the Authority in the compliance schedule to ensure regulatory timeframes are met in case of changes occurring in the asset management system. (<i>Action Plan item 1.4</i>) 	Compliant with minor issues
CI.7	Operational Audit	4	This performance audit is now being undertaken and will be completed within the prescribed time.	4

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating
	<p>(a) The Licensee is to, not less than once in every period of 36 months (or such longer period as the Authority allows), provide the Authority with an Operational Audit conducted by an independent expert acceptable to the Authority.</p> <p>(b) An Operational Audit is an audit of the effectiveness of measures taken by the Licensee to maintain any quality and performance referred to in the License and applied to the Licence including those standards prescribed under section 33 of the Act.</p>		<p>However, we did not identify a process in place to ensure that the timeframes would be met. The implementation of the Operational Audit was reactionary to a note sent by the ERA and not planned.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Develop and implement a compliance schedule with the Operational Audit dates included as part of the schedule of events to ensure regulatory timeframes are met. (Action Plan item 1.5) 	Compliant with minor issues
Cl.8	<p>Adherence to Technical Standards</p> <p>The Licensee is to comply with the technical standards for the provision of Water Services; and the undertaking, maintenance and operation of Water Services works; published by the Authority in the <i>Government Gazette</i>.</p>	N/A	No relevant technical standards had been published in the <i>Government Gazette</i> at the time of the audit.	N/A
Cl.9	<p>Adherence to Industry Codes</p> <p>The Licensee shall observe the <i>Sewerage Code of Australia WSA 02 1999</i> in the design and construction of sewerage systems.</p>	4	<p>The sewer system was built to appropriate standards when constructed during 1979 and expanded in 1999.</p> <p>Confirmed though discussion with the Shire's EHO that no changes were made in the sewerage systems since the previous audit. The EHO is aware of the Code.</p>	5 Fully compliant
Cl.10	<p>Accounting Records – Prepared to Standard</p> <p>Consistent with the accounting requirements of the <i>Local Government Act 1995</i>, the Licensee shall 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.</p>	4	<p>Each year the Shire of Morawa prepares a comprehensive Annual Report for the whole of the Shire, which is independently audited by a certified auditor.</p> <p>Audit sighted the Shire's Financial Report for the year ended 30th June 2007 (2008 is not yet available) including an Independent Audit Report that confirmed the financial reports are in accordance with the <i>Local Government Act</i>, the <i>Local Government Financial Management Regulations</i>, applicable Accounting Standards and other mandatory professional</p>	5 Fully compliant

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating
			<p>reporting requirements and represent fairly the financial position of the Shire of Morawa as at 30 June 2007 and the results of its operations and cashflow for the year ended on that date.</p> <p>The Shire's Financial Management Information System (FMIS) has the ability to produce operating statements as per the Water Services licence requirements.</p>	
<p>Cl.11</p>	<p>Pricing and Charges – Adhere to Legislation</p> <p>In setting prices or charges for services to Customers the Licensee shall comply with the relevant provisions and regulations of the Health Act 1911 and the Local Government Act 1995.</p>	<p>4</p>	<p>The Sewerage Scheme Rates for 2008/2009 were approved during the Morawa Council Budget Meeting held on the 28th August 2008 as evidenced in the minutes for that meeting.</p> <p>Prices and charges are listed for each class of customer.</p>	<p>5</p> <p>Fully compliant</p>
<p>Cl.17</p>	<p>Obligations to Other Licences Adhered to</p> <p>Wastewater treatment plants operated by the Licensee shall have relevant Licences from the Department of Environment and be operated in compliance with those Licences.</p>	<p>4</p>	<p>The Shire has a licence number 6857/8 from the Department of Environment and Conservation expiring on 4 April 2009.</p> <p>Sighted the licence and the receipt for payment of licence fee issued to the Shire by the Department of Environment and Conservation on 26 March 2008.</p> <p>The audit confirmed that the Shire of Morawa generally complies with the requirements of the licence, as demonstrated by the provision of Annual Monitoring Reports and laboratory results of 6 monthly samples of treated wastewater from the final treatment pond as required by G2 General Conditions and W4(a) monitoring requirements for the Shire of Morawa Wastewater Treatment Plant. As confirmed with Shire's EHO there was no de-sludging of any wastewater treatment pond required during the audit period.</p>	<p>5</p> <p>Fully compliant</p>
<p>Cl.15(c)</p>	<p>Emergency Telephone Service Operational</p> <p>The Licensee shall implement an emergency telephone system so a Customer can report an emergency and receive advice within one hour of the</p>	<p>1</p>	<p>The Customer Service Charter provides a section on emergency assistance. The Shire operates a 24 hours emergency contact service for emergency events, such as an overflow from a sewer. During office hours, customers can contact the Shire office. The after hours numbers of the relevant responsible officers (Works</p>	<p>5</p> <p>Fully compliant</p>

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating
	action to be taken by the Licensee. An emergency is an event which causes, or threatens to cause, harm to people, the environment or property.		Supervisor, EHO and CEO) are found in the Morawa District Telephone Directory. These numbers are also included in the Customer Service Charter provided to customers as well as in the Asset Management Plan. The Environmental Health Officer, Works Supervisor or Chief Executive Officer act immediately on receiving a call and respond as required.	
Cl.15(d), Cl.15(e)	<p>Customer Service Standards</p> <p>The Licensee shall maintain and operate its sewerage scheme so that sewerage does not overflow on Customers' properties.</p> <p>The Licensee shall maintain and operate its sewerage scheme so that sewer blockages are minimised.</p>	1	<p>The Shire of Morawa has experienced numerous blockages in the past as a result of tree roots invading the pipe lines.</p> <p>The Shire reported one sewerage overflow attributable to a blockage or failure in the licensee's infrastructure for 2005/06, one sewerage overflow for 2006/07 and one sewerage overflow for 2007/08.</p> <p>The Scheme has had a CCTV inspection and condition report compiled by Perth Pressure Jet Services in May 2008 and potential blockages have had pressure jet maintenance.</p> <p>Sighted CCTV inspection and condition report.</p>	5 Fully compliant
Cl.15(b)	<p>Non-potable Water – Health Directions</p> <p>The Licensee shall provide annual notification to all Customers provided with non-potable water that the water supplied is not suitable for drinking.</p>	1	<p>The scheme re-uses treated wastewater on spray irrigation of the sports field that is operated by the Shire of Morawa. The Shire of Morawa does not provide any other customers with non-potable water.</p> <p>Confirmed through sighting that warning signs that "water supplied is not suitable for drinking" have been erected on the sports field.</p>	5 Fully compliant
Cl.16	<p>Services by Agreement</p> <p>The Licensee may enter into agreements with Customers to provide Water Services.</p>	4	<p>The process of connecting to the Shire's services is outlined in the Shire's Customer Service Charter.</p> <p>Applications for wastewater services connections should be</p>	5 Fully compliant

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating
	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 Authority.		<p>made at the Shire's business office. These applications must be accompanied by the related building plans. However, no formal application form is required to be completed. The plumber is asked to visit the premises and certify the sewerage connection.</p> <p>As per the Schedule 3 Reports, the number of residential sewerage connections increased from 223 connections in 2006 to 229 connections in 2008 and the number of non-residential sewerage connections decreased from 32 in 2006 to 26 in 2008.</p> <p>Audit confirmed through discussion with the Shire's EHO that no customer agreements are in place and that Shire has not enter into any agreement with a customer that excludes, modifies or restricts the terms and conditions of the Licence.</p>	
Cl.12(a)	<p>Contractors Maintenance of Standards</p> <p>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.</p>	1	All Water Services are provided in-house. The AMP stipulates roles and responsibilities for staff with respect to the ongoing operation of the Morawa Sewerage Scheme.	<p>5</p> <p>Fully compliant</p>
Cl.20	<p>Customer Complaints</p> <p>The Licensee shall 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 Council, within 7 days after the first ordinary Council meeting following the expiry of the 21 day period.</p> <p>To ensure the effectiveness of such a process the Licensee shall, as a minimum:</p> <p>(i) record details of each Customer Complaint and its outcome;</p>	4	<p>The Customer Service Charter outlines the process for enquiries, suggestions, complaints and disputes.</p> <p>The Chief Executive Officer ensures that complaints or concerns about the sewer system are passed on to the Works Supervisor. Should the complaint or concern be a matter of public health, then the Environmental Health Officer will be contacted.</p> <p>As confirmed by the Shire's EHO, there were no complaints received during the audit period. No written customer complaints were reported to the Authority as per the Annual Performance Reports during the audit period.</p> <p>In case a complaint is received, a Notice of Item Requiring Attention form is to be completed. However, it was noted that the</p>	<p>3</p> <p>Partially compliant</p>

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating
	<p>(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 Council as to the payment of monetary compensation; and</p> <p>(iii) make such arrangements as are necessary to ensure that if possible complaints can be resolved in the timeframes set out in subclause (a).</p> <p>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 Office of Water Policy.</p> <p>Unless the Complaint or dispute is a matter in relation to which section 3.22 of the <i>Local Government Act 1995</i> applies, where a dispute has not been resolved within 21 days the Licensee shall inform the Customer of the option of referring their Complaint to the Office of Water Policy.</p> <p>The Office of Water Policy may:</p> <p>(i) mediate the dispute; or</p> <p>(ii) direct the Licensee or Customer to binding arbitration.</p> <p>During the process of investigation and conciliation, the Licensee shall make every endeavour to promptly cooperate with the Office of Water Policy's (or its representative's) requests, which shall include the</p>		<p>Complaints Register has not been set up yet.</p> <p>The Shire's CEO is authorised to make necessary decisions to settle the customer complaints or disputes. The Shire's staff have been provided with complaints resolution training through the OHS courses.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ A Complaints Register to be developed and maintained by the Shire (and procedures documented). ▪ Each customer complaint received by the Shire and its outcome should be recorded in the Complaints Register in sufficient details in order to be able to ascertain: <ul style="list-style-type: none"> ○ Date and time the complaint was received; ○ Name of the complainant; ○ Who received the complaint; ○ Method of complaint; ○ Details of the complaint; ○ Time from report of the complaint to action; ○ Details of the action taken; ○ Name of person authorising; and ○ Date/ time responded. <p><i>(Action Plan item 1.3)</i></p>	

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating
	<p>expeditious release of any information or documents requested by the Office of Water Policy and the availability of the relevant staff of the Licensee.</p> <p>The Licensee shall, on request, provide the Office of Water Policy with details of Complaints made and the names and addresses of Customers who have made Complaints.</p>			
<p>Cl.19</p>	<p>Customer Charter</p> <p>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')</p> <p>The Customer Service Charter must be submitted to the Authority for its approval by 1 December 1997. The Authority may require changes to be made to the charter.</p> <p>The Customer Service Charter:</p> <ul style="list-style-type: none"> (iii) should be drafted in 'plain English'; and (iv) should address all of the service issues that are reasonably likely to be of concern to its Customers. <p>Different parts of the Customer Service Charter may be expressed to apply to different classes of Customers.</p> <p>The Licensee shall review the Customer Service Charter not less than once in every period of 36 months.</p> <p>Any proposed amendment to the Customer Service</p>	<p>3</p>	<p>The Shire of Morawa Customer Service Charter has been reviewed in June 2008 and approved by ERA on 30 June 2008.</p> <p>Sighted the Customer Service Charter and ERA's approval of the charter.</p> <p>The Shire of Morawa first submitted their charter to the ERA for approval on 20th December 2007. The Shire of Morawa re-submitted the final version of the charter on 18th January 2008. The previous charter was approved by the Authority in January 2005. The Authority found that the Shire of Morawa has submitted their new charter for approval within an acceptable timeframe. However, we did not identify a process in place to ensure that the timeframes would be met. The review and submission of the Customer Service Charter was reactionary to a note sent by ERA and not planned.</p> <p>The Shire of Morawa has provided a copy of its customer service charter advertisement which invites public comment on the charter. The Shire did a 'letter-box drop' of the advertisement and sought public comment over a period of 25 days from 4 April 2008 to 28 April 2008. As stated in the Authority's approval of the charter, the Authority found that, on the basis of the information provided, the Shire of Morawa undertook the minimum requirement in relation to public consultation with regards to the charter review.</p>	<p>4</p> <p>Compliant with minor issues</p>

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating
	<p>Charter or replacement thereof must also be forwarded to the Authority for approval prior to implementation.</p> <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 (iii) by advising Customers of the availability of the Customer Service Charter on an annual basis. <p>It is a condition of the Licence that the Licensee provides services in a way that is materially consistent with its Customer Service Charter.</p>		<p>Audit confirmed through sighting that the charter is prominently displayed at the office reception, and through discussion with the Shire's EHO that the charter is provided upon request and at no charge to the customers.</p> <p>However, the audit was not able to establish that the Shire of Morawa is advising its customers of the availability of the Customer Service Charter on an annual basis. Also, no process is in place to ensure that the Customer Service Charter availability notification will be provided to the Shire's customers on an annual basis.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Increase accessibility of the Charter by making the Customer Charter available to customers on the website. ▪ Advise customers on the availability of the Customer Service Charter on an annual basis. ▪ Develop and implement a compliance schedule with the Customer Service Charter review dates included as part of the schedule of events to ensure regulatory requirements are met. ▪ Note the Customer Service Charter annual notification requirement in the compliance schedule to ensure that customers are advised of the availability of the Customer Service Charter on an annual basis. <p><i>(Action Plan item 1.6)</i></p>	
CI.18	<p>Customer Consultation</p> <p>Prior to making major changes to the operation of a water service, such as the construction of new</p>	4	<p>As stated in the Customer Service Charter, community involvement in the Shire of Morawa's service planning and decision making processes will be sought through forums such as focus groups, customer surveys, and display at local</p>	<p>5</p> <p>Fully compliant</p>

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating
	<p>wastewater treatment works or significant expansion of the sewerage network, the Licensee will:</p> <p>(i) hold a public meeting to obtain Customer views on the performance and operation of the scheme; or</p> <p>(ii) advertise for written submissions on the proposal.</p> <p>The Licensee shall 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>.</p>		<p>functions. The Shire of Morawa will use local media bulletins to advise customers of any change that may result in significant variation in its service levels.</p> <p>Audit confirmed that, on the basis of information provided, the Shire of Morawa generally complies with the minimum requirement in relation to public consultation, as demonstrated through the public consultation process that the Shire of Morawa undertook in relation to review of the customer service charter in April 2008.</p> <p>The Shire of Morawa has provided a copy of its customer service charter advertisement which invites public comment on the charter.</p> <p>There were no major changes to the operation of the water services during the audit period that would require public consultation.</p> <p>The Shire of Morawa allows customers to raise matters of concern regarding the sewerage system at public question time during the Morawa Council meetings.</p>	
Cl.21	<p>Customer Survey</p> <p>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 shall address and conform to the conditions and parameters set out in writing by the Authority.</p> <p>Such a survey will not be required more frequently than once every 12 months.</p>	5	<p>The Shire had not been requested to commission a survey by the Authority at the time of the audit.</p>	N/A
Cl.14(a), Cl.14(b)	<p>Incident Reporting</p> <p>The Licensee shall inform the Authority of the</p>	3	<p>As per the Schedule 3 Reports, the Shire of Morawa reported one sewerage overflow attributable to a blockage or failure in the licensee's infrastructure for 2005/06, one sewerage overflow for</p>	3 Partially

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating
	<p>occurrence of any of the following events within five days of their occurrence:</p> <ul style="list-style-type: none"> - overflows from wastewater/ sewerage infrastructure, including wastewater treatment plants, pumping stations etc. <p>The Authority may require a detailed report on these events to be provided within 14 days of the request.</p>		<p>2006/07 and one sewerage overflow for 2007/08. The EHO advised that the overflow reported was an error and the report should have shown nil overflows.</p> <p>However, we were unable to identify any documented process to ensure that any overflows are reported to the ERA in future, within 5 days of their occurrence.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Develop and implement a compliance schedule with timeframes for incident reporting noted in the schedule to ensure regulatory timeframes are met in case of overflows occurring. <p><i>(Action Plan item 1.1)</i></p>	compliant
<p>Cl.14(c), Sch 3</p>	<p>Annual Performance Reporting</p> <p>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.</p>	3	<p>Confirmed that the licensee had produced reports as per the requirements of Schedule 3 of the licence for the 2005/06, 2006/07 and 2007/08 periods.</p> <p>Audit noted that although the Annual Performance Report for 2006/07 and 2007/08 periods were submitted within the required time, on 13th July 2007 and 27th June 2008 respectively, the 2005/06 report has been submitted to the Authority on 7th September 2006 and therefore not on time in compliance with the licence requirements. There is no system in place to ensure the timely submission of reports and the submission of reports is purely reactionary to the reminder received from the ERA.</p> <p>The information for the reports comes from a variety of sources. However, information as to where and how to source the required data is not documented.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Develop and implement a compliance schedule with 	<p>2</p> <p>Non-compliant</p>

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating
			<p>timeframes for annual performance report submission included as part of the schedule of events to ensure regulatory timeframes are met. The compliance schedule will also aid to meet regulatory timeframes by the replacement staff in case of Shire's EHO unavailability due to the leave or illness.</p> <ul style="list-style-type: none"> Create documentation to explain where and how to source the required information; and file and keep copies of the source information together with a copy of the Schedule 3 Annual Performance Report to allow easier checking of the validity of the results. <p><i>(Action Plan item 1.2)</i></p>	
Cl.15(a)	<p>Compliance with Reporting Standards</p> <p>The Licensee shall comply with the quality and performance standards set out in Schedule 2.</p>	3	<p>Audit examined the Annual Performance Reports (Schedule 3) for the 2005/06, 2006/07 and 2007/08 periods and confirmed that the Shire did comply with the performance standards as set out in Schedule 2 of the licence.</p>	<p>5</p> <p>Fully compliant</p>

3.4 INTEGRITY OF PERFORMANCE REPORTING

In compliance with clause 14(c) of the operating licence the Shire of Morawa shall report the information set out in Schedule 3 to the Authority within 30 days of the end of each financial year.

The audit noted that although the annual performance reports for 2006/07 and 2007/08 were submitted to the Authority within the required time, the annual performance report for 2005/06 period was submitted late in September 2006.

The audit evidence presented suggest that the Shire of Morawa lacks processes to ensure that documentation is prepared and submitted to the relevant authorities on time. Moreover, as the information is collated manually, the performance reporting process needs to be formalised and spreadsheets created and used for calculations and copies of source documents filed and kept together for future checking.

Although no complaints were received during the audit period, in case a complaint is received, a Notice of Item Requiring Attention form will be completed. Because the form could get lost, internal control over the recording of complaints would be improved by developing and establishing a Complaints Register.

The audit recommendations to the Shire of Morawa to improve strength of its internal controls to maintain compliance with its performance reporting obligations are outlined in the Licensee Action Plan.

3.5 RECOMMENDED CHANGES TO THE LICENCE

No changes to the licence are considered necessary.

3.6 CONCLUSION

Through the execution of the Audit Plan and assessment and testing of the control environment, the information system, control procedures and compliance attitude - the audit team members have gained reasonable assurance that the Shire of Morawa has complied with the performance and quality standards of its Water Services Operating Licence during the audit period 1st December 2005 to 30th November 2008 apart from:

- The 2005/06 performance report being over two months late. Moreover, as the information for the annual performance reports come from a variety of sources, the performance reporting process needs to be formalised and documentation created to explain where and how to obtain the required information.

The audit also recommended that a Compliance Checklist be established to ensure that performance reporting per the licence conditions continue to be met.

The previous audit recommendations for notification of the Customer Service Charter and setting up a Complaints Register have not yet been actioned. The previous audit recommendations regarding updating the Asset Management Plan, pipeline inspection and emergency contact numbers have been completed.

4. Asset Management Review

The effectiveness of the Shire's asset management system for the sewerage schemes was assessed using the AMS Effectiveness Matrix provided by the Authority 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 planning;
- Asset management information system;
- Asset operations;
- Asset maintenance;
- Financial planning;
- Capital expenditure planning; and
- Review of the asset management system.

The review has 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 key recommendations from the previous review.

Section 4.3 provides further details of the systems and the effectiveness rating for each key process in the asset management system.

4.1 SUMMARY OF EFFECTIVENESS RATINGS

The audit assessment of the effectiveness ratings for each key process in the Shire's 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
1. Asset Planning							
2. Asset creation/ acquisition		N/A					
3. Asset disposal							
4. Environmental analysis							
5. Risk management							
6. Contingency planning							
7. Asset management information system							
8. Asset operations							
9. Asset maintenance							
10. Financial planning							
11. Capital expenditure planning							
12. Review of the asset management system							

Section 4.3 provides further details of the systems and the effectiveness rating for each key process in the asset management system.

4.2 PREVIOUS AUDIT RECOMMENDATIONS

The status of the key recommendations in the previous audit report issued in January 2006 is summarised below.

Item No.	Recommendation	Action Taken	Closed
1	<p>Asset Planning/Creation/Acquisition</p> <p>The AMP was prepared in 1999 and has not been updated since. Currently there have been no breakdowns or complaints which would indicate that the level of service would be adequate for the service required.</p> <p>However, as the AMP has not been updated recently, there has been no consideration given to whether new assets are needed or how the strategic objectives for the wastewater treatment system may have changed.</p> <p><i>Recommendation: The Asset Management Plan needs to be updated immediately and forwarded onto the Authority for approval.</i></p>	<p>The Shire currently operates a simple computerised Asset Management System based on a standard suite of spreadsheets. The Shire's AMP has been updated in March 2007 and forwarded to the Authority for approval.</p>	Completed
2	<p>Environmental Analysis</p> <p>The operating environment is adequately understood, with the service delivery of a high standard.</p> <p><i>Recommendation: Opportunities and threats need to be assessed and documented.</i></p>	<p>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.</p>	Completed
3	<p>Asset Management System Analysis</p> <p>Due to the AMP being out of date, this part of the asset management system is largely adequate.</p> <p>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.</p>	<p>The Shire currently operates a simple computerised Asset Management System based on a standard suite of spreadsheets. The Shire's AMP has been updated in March 2007 and forwarded to the Authority for approval.</p> <p>The Asset Register is an excel spreadsheet for the main asset groups and includes construction dates and replacement values for all assets. All asset groups include the relevant construction materials, asset types and descriptions.</p> <p>Maintenance Scheduling has been completed and is detailed in</p>	Completed

Item No.	Recommendation	Action Taken	Closed
	<p>However, operational costs are covered in the annual budget.</p> <p><i>Recommendation: 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.</i></p>	<p>the Maintenance Management excel spreadsheet.</p> <p>Sighted the Asset Maintenance Plan displayed at the Workshop.</p>	Closed
4	<p>Risk Analysis and Contingency Planning</p> <p>No risk assessment and analysis has been conducted.</p> <p>The system is minor and the ponds are located such that any catastrophic failure will result in local, minor environmental damage rather than human harm. Contingency measures will need to be developed, including financial to deal with any contingencies.</p> <p>There is a sewerage reserve fund which appears in the annual budget and gets regular inputs of cash.</p> <p><i>Recommendation: Conduct a risk assessment and develop a contingency plan.</i></p>	<p>The Risk Management Methodology is outlined in the AMP. The Risk Assessment excel spreadsheet has been completed for water services operating licence risks and access chambers and gravity mains. The sewerage pump station and wastewater treatment plant risk assessment lacks an assessment of the adequacy of controls and the priority and risk assessment for effluent re-use has not been completed..</p> <p>Some other risk events have been also identified in the "Mitigation and Management Strategies" section of the AMP such as earthquake, major storm, plant failure etc. but there appears to be no link between the risk assessments in the Risk Assessment excel spreadsheet and the risk identified in the AMP. Moreover, there appears to be some inconsistency in risk assessment for example plant failure was identified as a risk in the AMP, but the risk assessment in the excel spreadsheet rated the inherent risk of wastewater treatment plant failure as low. Also some potential risks might not have been identified such as the power failure, pump failure etc.</p> <p>Also, the Risk Assessment excel spreadsheet needs to be updated in line with the new operating licence for the sewerage services issued to the Shire of Morawa on 6th August 2008.</p> <p>Overall, the risk assessment for asset management planning is very basic. The Shire needs to revise its risk assessment and to consolidate the risks identified.</p> <p>There is basic contingency planning and procedures outlined in the Risk Management section of the Asset Management Plan,</p>	Partially Completed

Item No.	Recommendation	Action Taken	Closed
		<p>but these are over-reliant on individual knowledge. More detailed contingency plans documenting the steps needed to deal with an unexpected failure of a system, process or procedure are recommended.</p> <p>Also, no assessment/testing of contingency plans is in place.</p> <p><i>The audit made recommendations to improve the Shire's risk assessment and contingency planning and testing. (Action Plan items 2.2 and 2.3)</i></p>	
5	<p>Financial Planning</p> <p>Other than the annual budget detailing operation and maintenance revenue and expenditure, financial planning needs to be updated. This should be done as part of the AMP review; however this was omitted during the last review. Once asset life and expected replacements are determined, this information could be used to feed into the Principal Activities Plan.</p> <p><i>Recommendation: The annual budget outlines the income and expenditure for the wastewater treatment system.</i></p>	<p>The Annual Capital Investment Budget excel spreadsheet and the Annual Operations and Maintenance Budget excel spreadsheet outline the financial objectives. The annual budget process takes this and allocates resources to each activity.</p> <p>The Shire of Morawa Annual Budget 2008/09 states the detailed expenditure required for the scheme for the next 12 months including operations, maintenance, administration expenses, depreciation, system upgrades and transfer to reserves.</p> <p>The AMP also outlines the five year operating expenditure plans for the sewerage scheme.</p>	Completed
6	<p>Capital Expenditure Plan</p> <p>The capital expenditure plan was not updated during the last review in 1999. Fortunately the population and the needs for Shire of Morawa's asset base have remained constant over the period. There is also a sewerage reserve fund that gets added to each year as part of the annual budget process.</p> <p><i>Recommendation: Update the capital expenditure plan. A review of existing asset life, capital replacement and asset acquisition needs to be undertaken to determine when future expenditure is likely to be required. As the assets come close to needing replacement, it is expected that these will be included in the capital expenditure planning.</i></p>	<p>The capital investment plans are being updated annually and are currently up to date.</p> <p>The life cycle costs have been budgeted for in the Annual Capital Investment Budget excel spreadsheet and the Annual Operations and Maintenance Budget excel spreadsheet. The capital investment strategy assumes replacing assets at the end of their effective life. This information is then fed into the annual budget process.</p> <p>The Shire maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Morawa Sewerage Scheme.</p> <p><i>The 5 year capital expenditure plan, however, still needs to be developed to reflect the CCTV inspection assessment. (Action</i></p>	Partially Completed

Item No.	Recommendation	Action Taken	Closed
		<i>Plan item 2.4).</i>	
7	<p>Review of Asset Management Plan</p> <p>AMP was last prepared in July 1999 and is now out of date. Urgently required to prepare a new one and submit it to the Authority for approval.</p> <p>Customer Charter is current, having been prepared in 2003. It is due for a review in 2006.</p> <p><i>Recommendation: The AMP should be reviewed and updated as soon as possible.</i></p> <p><i>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.</i></p>	<p>The AMP contains a section on Monitoring and Review Procedures that require the AMP to be reviewed five yearly and reissued when changes occur to the current system, processes and procedures. The maintenance and capital investment plans shall be revised annually.</p> <p>The review of Customer Service Charter every 36 months is considered to be sufficient and in accordance with the requirements of the licence.</p> <p><i>The audit made a recommendation for more frequent review of the Asset Management Plan and suggested improvements to the current monitoring and review practices. (Action Plan item 2.5)</i></p>	Partially Completed

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 (0=no process, 1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
1	ASSET PLANNING		4
1.1	Have the strategic objectives for the assets been identified?	<p>The Shire of Morawa Asset Management Plan (AMP) does include a goal and objective of the Shire of Morawa in providing sewerage and re-use services as “to provide cost effective wastewater collection, treatment and disposal services for the town of Morawa, which meets community expectations for health and environmental management”.</p> <p>The Levels of Service requirements for customers are detailed in the Customer Service Charter. These generally include the service commitment detailed below:</p> <p>“The Shire of Morawa will provide its services in a manner which is fair, courteous and timely with a focus on consultation with our customers respecting your rights and meeting your reasonable expectations.”</p> <p>Additionally, the levels of service and performance parameters have been defined in the AMP.</p>	4
1.2	Have life cycle costs been considered?	<p>The life cycle costs have been budgeted for in the Annual Capital Investment Budget excel spreadsheet and the Annual Operations and Maintenance Budget excel spreadsheet.</p> <p>The Shire is in the process of building up sufficient Sewerage Reserves to ensure it can replace major assets when they are required. A transfer of \$94,000 to the Sewerage Reserve has been budgeted for in the Annual Budget 2008/2009.</p>	4
1.3	Does the planning process and objectives reflect the needs of all stakeholders?	The Asset Management Plan includes sections on the Asset Environment and levels of service in detail.	4

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness rating (0=no process, 1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
2	ASSET CREATION/ ACQUISITION		N/A
2.1	Has the need for new assets been determined and full project evaluation process been followed, including comparative assessment of non-asset solutions?	The New Asset Creation Plan outlined in the AMP states that there are no new assets that have been identified and none are included in the Financial Management software module. 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 Annual Capital Investment Budget and in the Annual Operations and Maintenance Budget excel spreadsheets.	N/A
2.2	Do the resulting projects reflect sound engineering and business decisions?	No new assets are planned for the scheme, only ongoing repairs and maintenance, and replacements of existing infrastructure as required.	N/A
2.3	Have documents recording relevant details on the asset been collected?	No new assets are currently planned, only upgrades and maintenance to the existing system, and replacements of existing infrastructure as required. New assets required in the future will be procured through the Government Supply system where available or through public tendering and in accord with the Shire's procurement policies and procedures.	N/A
2.4	Are construction/ contract management processes and responsibilities clear and well documented?	As above.	N/A
2.5	Do the assets reflect the objectives identified in the asset creation/ acquisition?	No new assets are planned, only upgrades and maintenance to the existing system, and replacements of existing infrastructure as required.	N/A
2.6	Are the actual costs as predicted?	No new assets are planned, only upgrades and maintenance to the existing system, and replacements of existing infrastructure as required.	N/A

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness rating (0=no process, 1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
3	ASSET DISPOSAL		3
3.1	Are under-utilised and under-performing assets identified as part of a regular, systematic review process?	<p>A formalised system of asset condition appraisal has been instigated on an annual cycle for all assets. Assets in fair or poor condition are being inspected more frequently. The results of appraisal inspection are recorded in the Asset Condition and Performance excel spreadsheet. The Asset Condition and Performance excel spreadsheet is updated up to June 2007.</p> <p>In addition, the Scheme has had a CCTV inspection and condition report compiled by Perth Pressure Jet Services in May 2008 and potential blockages have had pressure jet maintenance.</p> <p>The sewerage pump stations are being inspected annually and refurbished or replaced where defects or wear is detected. Performance monitoring against the pump curves is not currently possible on site. Workshop performance testing will be conducted where poor performance is suspected from the pump run hours and energy consumption records.</p> <p>Additionally, under-performing assets may be identified during routine preventative maintenance.</p>	4
3.2	Is there a replacement strategy?	<p>An asset renewal and replacement plan has been developed by replacing assets at the end of their effective life and is included in the Annual Capital Investment Budget excel spreadsheet.</p> <p>The Shire maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Morawa Sewerage Scheme.</p>	4
3.3	Has an evaluation of disposal alternatives been completed?	According to the AMP, assets at the end of their life will be replaced with a similar capacity and the old asset dumped or recycled for scrap as appropriate.	2

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness rating (0=no process, 1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
3.4	Are damaged or missing assets written-off?	Damaged or missing assets would be written-off.	3
3.5	Is there a disposal plan?	The Asset Disposal Plan as outlined in the AMP states that no assets have been identified for disposal.	2
3.6	Are the reasons for under-utilisation or poor performance critically examined and corrective action taken to remedy the situation, or a disposal decision made?	Annual asset condition appraisal and regular preventative maintenance identify assets that are underperforming. These are investigated and corrected action taken to remedy to the situation, or disposed off.	3
4	ENVIRONMENTAL ANALYSIS		4
4.1	Have the performance requirements – availability of service, capacity, continuity, emergency response been documented?	The levels of service and performance parameters are clearly defined in the AMP. They include availability, capacity, continuity, odour control, and emergency response. Annual Performance Report is provided as per Schedule 3 to the Authority on an annual basis.	4
4.2	Are the asset system objectives documented?	Yes, the Asset Management Plan outlines the expectations of each of the system components.	4
4.3	Have opportunities and threats in the system environment been 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.	2
4.4	Are regulatory obligations and statutory/regulatory requirements documented?	Yes, the Asset Management Plan identifies the following regulatory requirements: <ul style="list-style-type: none"> ▪ Water Services Licensing Act 1995; ▪ Local Government Act 1995; ▪ Environmental Protection Act 1986; ▪ Occupational Safety and Health Act 1984; and 	4

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness rating (0=no process, 1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
		<ul style="list-style-type: none"> ▪ Occupational Safety and Health Regulations 1996. <p>The AMP section on Regulatory Requirements outlining the requirements of the operating licence for the sewerage services need to be updated in line with the new operating licence issued to the Shire of Morawa on 6 August 2008.</p> <p>Audit recommends to:</p> <ul style="list-style-type: none"> • Update the Asset Management Plan in line with the requirements of the new operating licence for the sewerage services issued to the Shire of Morawa on 6th August 2008. (<i>Action Plan item 2.1</i>) 	
4.5	Does the asset meet the level of service required by users of the service?	Yes, the asset appears to be in keeping with Shire's statement on its commitment to service.	4
4.6	Do the assets meet regulatory requirements?	Compliance with the regulatory requirements is being monitored by the Shire's EHO and audited as required under the operating licence by the independent auditor.	4
5	RISK MANAGEMENT		2
5.1	Has a risk assessment of the asset been conducted?	<p>The Risk Management Methodology is outlined in the AMP. The Risk Assessment excel spreadsheet has been completed for water services operating licence risks and access chambers and gravity mains. The sewerage pump station and wastewater treatment plant risk assessment lack an assessment of the adequacy of controls and the priority and risk assessment for effluent re-use has not been completed at all.</p> <p>Some other risk events have been also identified in the "Mitigation and Management Strategies" section of the AMP such as earthquake, major storm, plant failure etc. but there appears to be no link between the risk assessments in the Risk Assessment excel spreadsheet and the risk identified in the AMP. Moreover, there appears to be some inconsistency in the risk assessment. For example, plant failure was identified as a risk in the AMP, but the risk assessment in the excel spreadsheet rated the inherent risk of</p>	2

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness rating (0=no process, 1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
		<p>wastewater treatment plant failure as low. Also some potential risks might not have been identified such as the power failure, pump failure etc.</p> <p>Also, the Risk Assessment excel spreadsheet needs to be updated in line with the new operating licence for the sewerage services issued to the Shire of Morawa on 6th August 2008.</p> <p>The Shire needs to revise its risk assessment and to consolidate the risks identified.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Revise the risk assessment following the risk assessment methodology outlined in the AMP and in the Risk Assessment excel spreadsheet, and consolidate the risks identified; and ▪ Update the Risk Assessment excel spreadsheet in line with the new operating licence for the sewerage services issued to the Shire of Morawa 6th August 2008. (<i>Action Plan item 2.2</i>) 	
5.2	Has the probability and consequences of asset failure been identified?	<p>The probability and consequences of asset failure have been identified in the Risk Assessment excel spreadsheet. Probability and consequences of some other risk events such as earthquake, Imhoff failure etc. have been assessed in the “Mitigation and Management Strategies” section of the AMP, however there appears to be some inconsistency in risk assessment for example Imhoff failure was identified as risk in the AMP, but risk assessment in the excel spreadsheet assessed the inherent risk of wastewater treatment plant failure as low.</p> <p>The revision of the risk assessment has been recommended in 5.1.</p>	2
5.3	Is risk management practiced?	The risk assessment for asset management planning is very basic. The revision of risk assessment has been recommended in 5.1.	2
5.4	Are risk control measures implemented for risks identified as unacceptable?	Some informal risk control measures are implemented, such as a spare pump on stand by, the use of power generator in case of power failure etc., but a formal risk	2

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness rating (0=no process, 1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
		assessment process is recommended as described in 5.1 to ensure control measures are adequate for risks identified as unacceptable.	
6	CONTINGENCY PLANNING		1
6.1	Is there sufficient contingency planning and backup?	<p>There are basic contingency planning and procedures outlined in the Risk Management section of the Asset Management Plan, but these are over-reliant on individual knowledge. Contingency plans need to be clear enough for someone not directly involved in the day to day operations to be able to successfully action the plan.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ More detailed contingency plans documenting the steps needed to deal with an unexpected failure of a system, process or procedure are recommended. <p><i>(Action Plan item 2.3)</i></p>	1
6.2	Is disaster recovery regularly tested?	<p>The contingency plans have not been tested.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ Contingency plans should be tested/assessed on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency. <p><i>(Action Plan item 2.3)</i></p>	0
6.3	Are appropriate contingency plans in place?	<p>Risk Mitigation and Management Strategies are outlined in the AMP; however these are very basic and over-reliant on individual knowledge.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Following the risk assessment, a set of contingency plans or emergency 	1

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness rating (0=no process, 1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
		<p>procedures should be developed by the Shire to cover situations identified in the risk assessment as being a major or significant risk. For example bushfire affecting ponds or reticulation equipment; reticulation pump or electrical failure; chlorinator failure; extreme rainfall events/water overflows from the ponds; pipeline burst or blockages etc..</p> <ul style="list-style-type: none"> ▪ The contingency plans should include: <ul style="list-style-type: none"> ○ Detailed procedures; ○ Key local contact details – name, number and location; ○ Communication protocols; ○ Specifications, location and availability of emergency equipment; and ○ Authorities that need to be contacted and when. <p><i>(Action Plan item 2.3)</i></p>	
6.4	Have contingency plans have been developed for events that may result in severe consequences?	Basic plans have been developed for identified risk events but these require more detail as per 6.3.	1
7	ASSET MANAGEMENT INFORMATION SYSTEM		2
7.1	Is there adequate system documentation?	The Shire currently operates a simple computerised system based on a standard suite of excel spreadsheets developed by the GHD and provided by the ERA. The Shire's EHO attended a day training course on how to use the spreadsheets. Apart from a copy of the course presentation on how to use the spreadsheets. No other system documentation has been provided to the Shires.	2
7.2	Do the input controls include appropriate verification and validation of data entered into the system?	Excel spreadsheets are used, but there are no input controls that check the input of data.	2

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness rating (0=no process, 1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
7.3	Are key computations documented and are they accurate?	<p>Some excel spreadsheets contains formulas such as, for example:</p> <ul style="list-style-type: none"> - In the Risk Assessment spreadsheet, inherent risk is automatically assigned from the likelihood and overall consequence scores; - In the Annual Capital Investment Budget spreadsheet and in the Annual Operations & Maintenance Budget spreadsheet, the light blue cells are automatically calculated. <p>Apart from viewing the computations in the formula bar, no documentation of key computations has been provided to the Shires.</p> <p>Audit tested the accuracy of computations on a sample basis and confirmed the computations tested were accurate.</p>	2
7.4	Do reports meet management requirements?	Apart from printing the excel spreadsheets out, there is no ability to create management reports.	1
7.5	Are the logical security access controls such as passwords adequate?	<p>The AMP and the accompanying excel spreadsheets are saved on the server. There is a password access to the Shire's system and the EHO's PC which restricts access to authorised Shire officers.</p> <p>The electronic Asset Management Plan is backed up by the Shire of Morawa's IT network and when accessed by the Environmental Health Officer a copy is made to a thumb drive and laptop.</p>	3
7.6	Are there adequate physical security access controls?	The Shire offices are locked and alarmed outside of hours.	4
7.7	Are problems with the system tracked and are there management procedures for follow-up?	There is no formal tracking of the problems with the excel spreadsheets. However, the Authority can be consulted in case the problem occurs.	1

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness rating (0=no process, 1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
7.8	Is the functionality of the AMIS adequate for the licensee's needs?	The functionality of the suite of excel spreadsheets provided by the ERA to the Shires for asset management planning purposes is appear to be adequate for the licensee's needs.	1
8	ASSET OPERATIONS		4
8.1	Are practices covering operating rules documented?	The Asset Management Plan includes an overview of the operations of the system only. However, the manufacturer's operating instructions/manuals are kept and used by the plumber and maintenance staff.	3
8.2	Do operational practices reflect performance targets?	Yes, current operational processes appear to reflect performance targets.	4
8.3	Do operational plans relate to what is required to achieve the levels of service required of the system?	The manufacture's work instructions/manuals provide guidance only and are reliant on the knowledge and skills of the plumber and maintenance staff to maintain sufficient levels of service.	3
8.4	Are the asset system components documented?	The Shire currently operates a simple computerised system based on the standard suite of excel spreadsheets. All the asset system components have been identified and documented in the Asset Register excel spreadsheet. Physical parameters for the assets are recorded in the "As constructed" drawings. The AMP provides a summary description of each installation within the system.	3
8.5	Does the register record asset type, location, material and an assessment of assets' physical/structural condition?	The current Asset Register includes details on: <ul style="list-style-type: none"> ▪ Asset Number; ▪ Description; ▪ Dimensions/ type; 	4

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness rating (0=no process, 1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
		<ul style="list-style-type: none"> ▪ Construction materials/ model; ▪ Construction date; and ▪ Replacement Value for access chambers, pipes, treatment plant, pump station and effluent re-use. The assets' location is documented on the maps. The condition assessment for other assets is outlined in the separate Asset Condition and Performance excel spreadsheet.	
8.6	Is the asset's theoretical life known?	The assumed standard economic life of all sewerage scheme assets is identified in the Annual Capital Investment Budget excel spreadsheet.	4
8.7	Are asset costs measured and recorded?	All assets expenditure is captured in the Shire's Financial Management Information System (FMIS). The Historical Cost information for the assets have not been transferred to the Asset Register.	3
8.8	Are actual assets and human resources appropriate for performance requirements?	The Morawa wastewater scheme is a simple system, which requires a basic level of asset management to maintain it in an effective condition. The system is also relatively young and the assets are in good condition. The assets seem appropriate for the current levels of demand. The AMP outlines the current human resources required to support plan as follows: <ul style="list-style-type: none"> ▪ CEO; ▪ Works Manager; ▪ Environmental Health Officer/Building Surveyor; and ▪ Council Officers (2). The Shire currently operates a simple computerised system based on the standard suite of excel spreadsheets.	4

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness rating (0=no process, 1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
9	ASSET MAINTENANCE		3
9.1	Are practices covering maintenance documented?	The Asset Management Plan includes a section on Maintenance Planning. This is effectively an overview of the maintenance.	2
9.2	Do maintenance plans cover preventative and corrective maintenance?	<p>A comprehensive Routine Maintenance Plan has been prepared and included in the Maintenance Management Plan excel spreadsheet. A maintenance schedule specifies maintenance tasks to be carried out daily, weekly, monthly, two monthly, six monthly, yearly and five yearly. It provides a checklist of maintenance tasks but is reliant on the knowledge and ability of the person performing the maintenance to carry them out satisfactorily.</p> <p>The unforeseen maintenance tasking is instigated by a telephone call-out system to the Works Manager or Supervisor, who attends the site, assesses the requirements and arranges the immediate and follow-up actions and activities.</p>	3
9.3	Do maintenance practices reflect performance targets?	<p>Maintenance is regularly performed on assets in accordance with the Shire of Morawa Sewerage Scheme Planned Work Program. Maintenance is carried out by qualified staff on a regular basis.</p> <p>Sighted the Asset Maintenance Plan displayed at the Workshop.</p>	3
9.4	Is the level of maintenance justified against replacement costs?	No formal comparisons appear to have been made of maintenance against replacement costs.	0
9.5	Do maintenance plans relate to what is required to achieve the levels of service required of the system?	The maintenance tasks specified in the Maintenance Schedule relate to the levels of service required of the system.	3
10	FINANCIAL PLANNING		4
10.1	Does the financial plan provide projections of operating statements	A complete Annual Budget document is completed for each coming financial year for the	4

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness rating (0=no process, 1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
	(profit and loss) and statement of financial position (balance sheets);	Shire which includes the Sewerage System and actuals/budget are monitored. Sighted the Shire of Morawa Adopted Budget for the year ended 30 June 2009.	
10.2	Does the financial plan cover the financial objectives and strategies and actions to achieve the objectives?	The Annual Capital Investment Budget excel spreadsheet and the Annual Operations and Maintenance Budget excel spreadsheet outlines the financial objectives. The Annual budget process takes this and allocates resources to each activity.	4
10.3	Does the financial plan identify the source of funds for the capital expenditure plan?	The Shire maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Morawa Sewerage Scheme. In addition, the Shire received the Department of Water grant of \$123,000 to reinstate the sewerage infrastructure/ town dam.	4
10.4	Is the source of funds for operations, maintenance and administration identified in the financial plan?	The Shire has a specified area rating which is applied to all properties connected or capable of being connected to the sewerage scheme in the Morawa town site. The purpose of this rate is to offset the cost of the sewerage treatment, including operation, maintenance, administration, depreciation and loan repayments.	4
10.5	Does the financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period?	The sewerage rates are the main source of sewerage scheme income. The Shire's financial plan does not specifically provide a prediction on income for the next five years, however, due to the stability of the income stream, this is not considered necessary.	1
10.6	Does the financial plan provide for the operations and maintenance, administration and capital expenditure requirements of the scheme?	The Shire of Morawa Annual Budget 2008/09 provides detailed expenditure required for the scheme for the next 12 months including operations, maintenance, administration expenses, depreciation, system upgrades and transfer to reserves. The AMP also outlines the five year operating expenditure forecast. The value of the five year capital expenditure by asset category is not detailed in the AMP until an asset condition report is received from GHD Engineering.	4

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11	CAPITAL EXPENDITURE PLANNING		3
11.1	Has a capital expenditure plan been prepared?	<p>The forecast lifecycle asset replacement program is included in the Annual Capital Investment Budget excel spreadsheet.</p> <p>The AMP states that “The value of the five year capital expenditure by asset category is not detailed until an asset condition report is received from GHD Engineering.”</p> <p>As confirmed by the Shire’s EHO the asset condition report mentioned is actually a CCTV inspection and condition report compiled by Perth Pressure Jet Services in May 2008 which separated the Shire’s sewerage scheme assets into the 5 risk categories. As confirmed by the Shire’s EHO, Shire has already budgeted for category 4 and 5 being urgent and urgent in the short term respectively, with the rest to be attended in the next couple of years. The capital expenditure plan, however, still needs to be developed to reflect the CCTV inspection assessment.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ Update the “Capital Investment Program” section of the AMP for the five year capital expenditure by asset category based on the CCTV inspection and condition report compiled by Perth Pressure Jet Services in May 2008. (<i>Action Plan item 2.4</i>) 	3
11.2	Does the plan cover the issues to be addressed, the actions proposed, the centre of responsibilities, and deadline dates?	<p>The analysis assumes that assets will be replaced at the end of their standard economic life.</p> <p>However, the five year capital expenditure by asset category still needs to be prepared based on the CCTV inspection and condition report compiled by Perth Pressure Jet Services in May 2008.</p>	3
11.3	Does the plan provide reasons for capital expenditure and timing of	The analysis assumes that assets will be replaced at the end of their standard economic life.	3

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness rating (0=no process, 1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
	expenditure?	However, the five year capital expenditure by asset category still needs to be prepared based on the CCTV inspection and condition report compiled by Perth Pressure Jet Services in May 2008.	
11.4	Is the capital expenditure plan consistent with the asset life and condition identified in the asset management plan?	<p>The capital expenditure plan would appear to be consistent with the estimated replacement year. In reality some assets will fail earlier than the standard life and some assets will remain useful beyond the standard replacement life. A condition monitoring system has been instigated on an annual cycle for all assets and the Scheme has had a CCTV inspection and condition report compiled by Perth Pressure Jet Services in May 2008.</p> <p>However, the five year capital expenditure by asset category still needs to be prepared based on the CCTV inspection and condition report compiled by Perth Pressure Jet Services in May 2008.</p>	3
12	REVIEW OF AMS		3
12.1	Is a review process in place to ensure that asset management plans are kept current?	<p>The AMP contains a section on Monitoring and Review Procedures that requires the AMP to be reviewed five yearly and reissued when changes occur to the current system, processes and procedures. The maintenance and capital investment plans shall be revised annually. However, the audit noted that the requirement to notify any changes to the system to the Authority is not stated in the AMP's review procedures.</p> <p>The back page of the AMP contains "Document Status" table that outlines the revision number, the author, the reviewer, and who approved the AMP for issue and when. The table notes that the AMP was approved for issue on 31/01/07, however, on the front page of the AMP is stated 17 March 2007. This suggests that either the "Document Status" has not been updated or some confusion exists as to the latest date of issue. Moreover, the users of the AMP could benefit from a brief description of changes to the document from the previous version.</p>	3

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness rating (0=no process, 1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
		<p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Ensure the "Document Status" table is updated every time changes to the AMP occur and the AMP is reissued. ▪ Modify the "Document Status" table to include a brief description of changes to the document from the previous version. <i>(Action Plan item 2.5)</i> 	
12.2	Are asset management plans being reviewed at appropriate intervals?	<p>The Monitoring and Review Procedures in the AMP suggest review of the AMP in five yearly intervals and the maintenance and capital investment plans shall be revised annually.</p> <p>The "Document Status" table does not provide for recording details about routine reviews of the document that do not escalate into the reissue of the AMP.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ The Asset Management Plan should be reviewed in more frequent intervals i.e. annually and reissued when changes occur. Accompanying excel spreadsheet should be updated during the year as required and revised annually. ▪ Keep track of all reviews of the Asset Management Plan. <p><i>(Action Plan item 2.5)</i></p>	3
12.3	Are the asset management plans current?	<p>The operational audit and asset management system review identified that some sections of the AMP need to be updated to reflect current practices such as:</p> <ul style="list-style-type: none"> ○ Update the AMP in line with the requirements of the new operating licence for the sewerage services issued to the Shire of Morawa on 6th August 2008. ○ Update the "Capital Investment Program" section of the AMP for the five year capital expenditure by asset category based on the CCTV inspection and 	2

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		<p>condition report compiled by Perth Pressure Jet Services in May 2008.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ Update the sections of the Asset Management Plan identified by the operational audit and the asset management system review as requiring amendment. (<i>Action Plan item 2.5</i>) 	

4.4 CONCLUSION

The review of the asset management system shows that processes are well-defined and monitored in practice, with the exception of:

- The Risk Assessment needs to be revised following using the Risk Assessment Methodology outlined in the AMP and in the Risk Assessment excel spreadsheet and identified risks need to be consolidated; and
- More detailed contingency plans documenting the steps needed to deal with an unexpected failure of a system, process or procedure need to be developed and tested on an annual basis.

Overall, the Asset Management System is appropriate and adequate for the Shire's operations.

The previous audit recommendations regarding risk analysis, contingency plans and capital expenditure planning are partially completed. Other recommendations concerning updating the AMP, environmental analysis, asset management system analysis and financial planning have been completed.

END OF REPORT