



Shire of Dalwallinu

Audit Report

Water Licence Operational Audit and Asset Management Review

Final Report
17 March 2009

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

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Executive Summary

INTRODUCTION

The Shire of Dalwallinu ('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 is centred on the township of Dalwallinu.

The sewerage scheme is operated by the Shire of Dalwallinu. The scheme was established in 1969 and provides sewerage services to the town of Dalwallinu. The scheme consists of 4,200 metres of earthenware sewerage pipe reticulation, and a waste treatment plant, serving 242 properties and a population of 650 approximately.

The sewerage treatment plant operates on a gravity system via 150mm earthenware mains to the Imhoff Tank. Decanted waste water, containing suspended soils gravity feeds to the oxidation lagoon. Waste water gravity feeds out of the oxidation lagoon via an open concrete spoon drain to the pump pit located at the primary lagoon, where it is pumped to either of the secondary lagoons. The pump station draws water from either secondary lagoon for subsequent storage into the holding dam for on-use. The current retention time for the system is 48 hours, which enables sufficient time to address any major malfunctions. To date no major malfunctions have occurred due to routine maintenance being carried out on a regular basis.

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 Dalwallinu has complied with the performance and quality standards of its Water Services Operating Licence during the audit period 1 December 2005 to 30 November 2008 apart from:

- Non-reporting of overflows to the Authority within 5 days of its occurrence (and incident reporting generally);
- The 2005/06 performance report which should have been completed by the previous Environmental Health Officer (EHO) was unable to be located. 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; and

- The Shire of Dalwallinu lacks formal processes to ensure that documentation is prepared and submitted to the relevant authorities on time and to ensure compliance with the regulatory timeframes.

The previous audit made a recommendation for improved incident reporting which has been partially completed. All other recommendations have been implemented.

This audit identified a number of other opportunities to improve the strength of internal controls to maintain compliance rather than rely upon key staff to ensure that compliance obligations are being 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 procedures for review of the Asset Management Plan/System need to be formalised and some sections of the Asset Management Plan require updating.

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

All of the previous audit recommendations have been implemented.

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 Dalwallinu. 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 MARCH 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 Dalwallinu reported one sewerage overflow attributable to a blockage or failure in the licensee's infrastructure for 2007/08. However, as confirmed through discussion with the Shire's EHO the Shire of Dalwallinu did not report this overflow to the Authority within 5 days of its occurrence.</p>	2	<p>Inform the Authority of any sewerage overflows from wastewater/ sewerage infrastructure, including wastewater treatment plants, pumping stations etc. within five days of their occurrence.</p> <p>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>	<p><i>A compliance schedule will be developed and implemented.</i></p>	<p>EHO 31 May 2009</p>
1.2	<p>Annual Performance Reporting (CI.14, Schedule 3)</p> <p>The audit confirmed that the licensee had produced the annual performance reports for 2006/07 and 2007/08. However, the Shire's EHO was not able to find a copy of the 2005/06 annual performance report, which should have been completed by the previous EHO.</p> <p>Audit noted that the annual performance reports for 2006/07 and 2007/08 were submitted within the required time. However, 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 Authority.</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>	3	<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 advised by the Shire's EHO no complaints resolution training was provided to Shire's staff and staff learned complaints resolution skills predominantly on the job.</p>	4	Provision of formal complaints resolution training could be of a benefit to the Shire's staff.	<i>Complaints training will be arranged.</i>	EHO 30 June 2009
1.4	<p>Asset Management System (CI.6)</p> <p>The Shire of Dalwallinu Asset Management Plan (AMP) has been updated in October 2008.</p> <p>The cover of the AMP states that the document was created in 1998 and updated in October 2008, however the AMP does not contain any provision on the frequency and procedures for the AMP review and update.</p> <p>The effectiveness of the asset management system is currently being audited and the final report will be provided to the Authority. 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 Authority and not planned.</p>	4	<p>Update the AMP for details on frequency of the review and review procedures including the requirement to notify the Authority of any changes to the asset management system within the required timeframe as per the licence.</p> <p>Update the AMP for document history section which will detail in a tabular form the date of the review or update of the document, person who performed it and brief description of the changes to the document from previous version.</p> <p>Develop and implement a compliance schedule with the Asset Management System review dates included as part of the schedule of events to ensure regulatory timeframes are met.</p> <p>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.</p>	<p><i>The Asset Management Plan will be updated for review procedures to reflect the recommendation. A document history section will also be included.</i></p> <p><i>A compliance schedule will be developed and implemented; and the required timeframes for the notification of the asset management system changes to the Authority noted in the schedule to reflect the recommendation.</i></p>	EHO 31 August 2009 EHO 31 May 2009
1.5	<p>Operational Audit (CI.7)</p> <p>This performance audit is now being undertaken.</p>	4	Develop and implement a compliance schedule with Operational Audit dates included as part of the schedule of events to ensure regulatory	<i>A compliance schedule will be developed and implemented.</i>	EHO 31 May 2009

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
	<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 Authority and not planned.</p>		timeframes are met.		
1.6	<p>Customer Charter (CI.19)</p> <p>The Shire of Dalwallinu provided a copy of the Customer Service Charter that was updated in October 2008. The Shire's EHO confirmed that the only change from the previous version was the change of the Shire's CEO.</p> <p>The Shire of Dalwallinu Customer Service Charter published on the Authority's website has been reviewed in October 2006 and approved by the Authority on 3 November 2006.</p> <p>The audit found that the Shire of Dalwallinu 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 the Authority 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. The charter is also available on the Shire's website.</p> <p>The Shire of Dalwallinu has provided a copy of its customer service charter advertisement published in the local newspaper advising its customers of the availability of the customer service charter at the Shire's office and</p>	4	<p>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.</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>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>EHO 31 May 2009</p>

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
	on the Shire's website. However, this was done for the first time and no process is in place to ensure notification on 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 Dalwallinu 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 Dalwallinu on 6th August 2008.	<i>The Asset Management Plan will be updated to reflect the recommendations.</i>	EHO 31 August 2009
2.2	Contingency Planning Although the need for the annual awareness of staff likely to be involved in response to overflows has been stated in the wastewater treatment plant overflow contingency plan, there is no evidence of the Shire's emergency procedures testing being carried out to ensure that appropriate persons are aware of their responsibilities in case of the emergency.	0	Testing/assessment of the emergency procedures and contingency plan to be carried out 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. Written records of these tests/assessments should be kept with the appendices of the AMP.	<i>The contingency plans will 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 that appropriate persons are aware of their responsibilities in cases of emergency.</i>	EHO 31 October 2009
2.3	Asset Operations Apart from regular maintenance, the AMP does not define any formal process for assets' condition and performance review on a regular i.e. annual basis. As part of the regular asset management process, the	2	Instigate a formalised system of asset appraisal on an annual basis, to assess the condition and performance of each asset. In conjunction with the physical assessment, a review should be undertaken of the assets in the system to ensure that they have the capability to meet	<i>Assets will be appraised as part of the review of the AMP in April each year.</i>	EHO 30 April 2009

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
	<p>assets in the system need to be regularly inspected.</p> <p>The audit reviewed the human resources outlined in the AMP as well as in the Wastewater Operation and Maintenance Manual and noted some discrepancies between the documents. Also, the audit noted that contact details of people involved in the scheme as outlined in the Operation and Maintenance Manual need to be reviewed and updated. For example, Bill Atyeo is still identified as the Community Service Manager/EHO in the Manual. Peter Zenni is currently in this position.</p>		<p>performance requirements. The results of these assessments should be then used as a basis for capital expenditure and maintenance planning.</p> <p>Review the human resources and their responsibilities for all staff involved with the scheme as outlined in the AMP, as well as the Wastewater Operation and Maintenance Manual for current resources deployed and consistency between both documents. Update both documents accordingly.</p> <p>Review and update the Wastewater Operation and Maintenance Manual for the current contact details of all people involved with the scheme.</p>	<p><i>The Wastewater Operation and Maintenance Manual will be reviewed for consistency with the AMP and updated as necessary. Also for contact details.</i></p>	<p>EHO 30 April 2009</p>
2.4	<p>Asset maintenance</p> <p>As advised by the Shire's EHO, the Shire of Dalwallinu is currently not maintaining a consolidated and up to date training matrix for its staff. A staff matrix should identify existing staff competencies and identify the need for future training requirements. The Shire's EHO is aware of this issue and already raised it at a staff meeting as well as the OHS Committee meeting.</p>	2	<p>Develop and implement a consolidated and up to date training matrix identifying existing staff competencies as well as identifying future training requirements.</p>	<p><i>A training matrix is being developed.</i></p>	<p>EHO 30 April 2009</p>
2.5	<p>Review of Asset Management System</p> <p>The Shire of Dalwallinu Asset Management Plan (AMP) has been updated in October 2008. The cover of the AMP states that the document was created in 1998 and updated in October 2008. However, the AMP does not contain any provision on the frequency and procedures</p>	2	<p>The Asset Management Plan be reviewed annually and reissued when changes occur. The maintenance, capital expenditure plans and financial plans shall be revised annually.</p> <p>Keep track of all reviews of the AMP.</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</i></p>	<p>EHO 30 April 2009</p>

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
	<p>for the AMP review and update. This issue is already covered by the Recommendation 1.4.</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"> ○ Update the Regulatory Requirements section of the Asset Management Plan in line with the requirements of the new operating licence for the sewerage services issued to the Shire of Dalwallinu on 6th August 2008, and to document all current regulatory requirements. ○ Review the human resources and their responsibilities for all staff involved with the scheme as outlined in the AMP as well as the Wastewater Operation and Maintenance Manual for current resources deployed and for consistency between both documents. Update both documents accordingly. ○ Review and update the Wastewater Operation and Maintenance Manual for current contact details of all people involved with the scheme. 		<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>the AMP will be kept by the Shire.</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 Dalwallinu ('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 is centred on the township of Dalwallinu.

The sewerage scheme is operated by the Shire of Dalwallinu. The scheme was established in 1969 and provides sewerage services to the town of Dalwallinu. The scheme consists of 4,200 metres of earthenware sewerage pipe reticulation, and a waste treatment plant, serving 242 properties and a population of 650 approximately.

The sewerage treatment plant operates on a gravity system via 150mm earthenware mains to the Imhoff Tank. Decanted waste water, containing suspended soils gravity feeds to the oxidation lagoon. Waste water gravity feeds out of the oxidation lagoon via an open concrete spoon drain to the pump pit located at the primary lagoon, where it is pumped to either of the secondary lagoons. The pump station draws water from either secondary lagoon for subsequent storage into the holding dam for on-use. The current retention time for the system is 48 hours, which enables sufficient time to address any major malfunctions. To date no major malfunctions have occurred due to routine maintenance being carried out on a regular basis.

The Shire was initially granted an Operating Licence under the Water Services Coordination Act 1995 by the Western Australian Coordinator of Water Services on 29th April 1996 for the operation of water services (sewerage) at Dalwallinu. The licence was renewed by way of substitution, on 21st May 1997 and 14th June 2002. On 22nd October 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 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 1st December 2005 to 30th November 2008. The field audit visit was conducted on 11th December 2008.

2.3 LICENSEE'S REPRESENTATIVES PARTICIPATING IN THE AUDIT

- Peter Zenni – Environmental Health Officer (EHO)
- Peter Crispin – Chief Executive Officer (CEO)

- John Ellison – Works Manager
- Kevin Ashby – General Hand

2.4 KEY DOCUMENTS EXAMINED

- Shire of Dalwallinu Operating Licence dated 22/10/2004;
- Shire of Dalwallinu 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;
- Dalwallinu Operating Area (Sewerage and Non-potable water supply services) Plan No. OWR-OA-029;
- Shire of Dalwallinu Sewerage Scheme Plans;
- Shire of Dalwallinu 2005 Operational Audit and Asset Management System Review Final Report (dated January 2006) for the period December 2002 to November 2005;
- Shire of Dalwallinu 2005 Operational Audit Post-Audit Implementation Plan;
- Shire of Dalwallinu 2005 Asset Management Review Post-Audit Implementation Plan;
- Shire of Dalwallinu Customer Charter for Wastewater Services dated July 2006;
- Economic Regulation Authority Approval of Shire of Dalwallinu Customer Service Charter dated 3 November 2006;
- Shire of Dalwallinu Customer Charter for Wastewater Services dated October 2008;
- The Department of Environment and Conservation letter (Ref. MG455): Inspection Report – Dalwallinu waste water treatment plant – registration R1606/2004/1, dated 14 July 2008;
- Shire of Dalwallinu Annual Report 2007;
- Shire of Dalwallinu Financial Report for the year ended 30th June 2008;
- Independent Auditor's Report to the Electors of the Shire of Dalwallinu, dated 5 December 2008;
- Shire of Dalwallinu Minutes of the Ordinary Council Meeting held 24 June 2008;
- Shire of Dalwallinu Minutes of the Budget Council Meeting held 17 June 2008;
- Shire of Dalwallinu Asset Management Plan Dalwallinu Town Sewerage Scheme updated October 2008;
- Review of Dalwallinu Sewerage Scheme Asset Management Plan, dated November 2007;
- Shire of Dalwallinu Wastewater Operation and Maintenance Manual, updated November 2008;
- Shire of Dalwallinu Annual Performance Report (Schedule 3) to the Authority for the period 2006/07 dated 5th July 2006;
- Shire of Dalwallinu Annual Performance Report (Schedule 3) to the Authority for the period 2007/08 dated 14th July 2008; and
- Shire of Dalwallinu Sewerage Scheme Defect Register.

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	Strong					✓
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	Cl.20	2	B	Medium	Moderate				✓	
Customer Charter	Cl.19	2	C	Medium	Moderate				✓	
Customer consultation	Cl.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	Weak		✓			
Annual performance reporting	Cl.14(c), Sch.3	2	B	Medium	Moderate			✓		
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 (CI.6)</p> <p>Staff do not have a comprehensive understanding of the AMP. The AMP needs to be reviewed in 2006 and once updated staff should be made aware of the requirements and procedures concerning the Asset.</p> <p><i>Recommendation: After review of the AMP in 2006, refresh staff awareness and content of the AMP.</i></p>	<p>The AMP has been updated in October 2008 and as confirmed by the Shire's EHO all appropriate staff have reviewed the AMP for update of procedures as part of their training and skills improvement.</p> <p>Staff attend regular staff workshops and staff meetings.</p>	Completed
2	<p>Specific Information to be provided (CI.14)</p> <p>There is no communication between the Shire of Dalwallinu and the Authority.</p> <p><i>Recommendation: The Shire of Dalwallinu will need to inform the Authority of any overflows. The Shire is to ensure that the Schedule 3 form is filled in and submitted to the Authority within 30 days of the end of each financial year.</i></p>	<p>The audit confirmed that the licensee had produced the annual performance reports for the 2006/07 and 2007/08 periods. However, the Shire's EHO was not able to find a copy of the 2005/06 annual performance report, which should have been completed by the previous EHO.</p> <p>Audit noted that the annual performance reports for 2006/07 and 2007/08 were submitted within the required time. However, 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 Authority.</p> <p>The Shire reported one overflow in the annual performance report for 2007/2008 period. However, as confirmed through discussion with the Shire's EHO the Shire did not report this overflow to the Authority within 5 days of its occurrence.</p> <p><i>The audit made a recommendation to improve the Shire's internal control over the Shire's Annual Performance Reporting and Incidents Reporting. (Action Plan item 1.1 and 1.2)</i></p>	Partially Completed
3	<p>Specific Information to be provided (CI.15/2)</p> <p>Treated effluent is used to irrigate the sporting field; however there are no signs or evidence of annual notification to Customers that the water is not suitable for drinking. The community is aware that non-potable water is used by the sporting complex and it is general</p>	<p>The scheme re-uses treated wastewater on spray irrigation of the sports field that is operated by the Shire of Dalwallinu and on the bowling club. The land is owned by the Shire of Dalwallinu and is leased out to the bowling club. The Shire still maintains the grounds of the bowling club. The non-potable water is only used on spray irrigation. As confirmed by the Shire's EHO, the only tap located on the grounds has a lock on it. The Shire of Dalwallinu does not provide any other</p>	Completed

Item No.	Recommendation	Action Taken	Closed
	<p>knowledge.</p> <p><i>Recommendation: It is recommended that a notification about the use of the treated effluent in the sport field be sent out with rates notice and that signs are erected.</i></p>	<p>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 and on the bowling club grounds. An annual notification is put in the local paper.</p>	
4	<p>Performance Standards – Overflows and Blockages</p> <p>The Shire of Dalwallinu has had numerous blockages due to tree roots invading the pipe lines. Review the pipe line system and develop an Action Plan on how you will reduce the number of blockages and overflows. The Action Plan will need to be forwarded to the Authority for approval.</p> <p><i>Recommendation: It is recommended that a review of the performance and viability of pipe line replacement should occur.</i></p>	<p>The Shire reported in its annual performance report for 2006/07, 11 blockages and 0 overflows, and for 2007/08 period 12 blockages and 1 overflow.</p> <p>The system is rodded regularly and experiences limited blockages. Being 4,200m in length, the number of blockages occurring per annum is significantly below the acceptable level (40x4200/100 = 1680). Therefore, no action plan is needed.</p> <p>The replacement of the clay earthenware pipework is planned for 2009-10 as per the Capital Works Schedule of the AMP.</p>	Completed
5	<p>Customer Service Charter (CI.19)</p> <p><i>The Charter needs to be displayed in a visible area in the Shire of Dalwallinu’s office and sent annually to customers.</i></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. The charter is also available on the Shire’s website.</p> <p>The Shire of Dalwallinu has provided a copy of its customer service charter advertisement published in the local newspaper advising its customers of the availability of the customer service charter at the Shire’s office and on the Shire’s website. However, this was done for the first time and no process is in place to ensure notification on annual basis.</p> <p><i>The audit made a recommendation to improve the Shire’s internal control over the Customer Service Charter annual notification. (Action Plan item 1.6)</i></p>	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 Dalwallinu in the town of Dalwallinu. These were compared with the operating area described in Schedule 1 (Plan No.: OWR-OA-029) of the Licence. All assets were found to be well within the specified operating area.</p> <p>Sighted Plan No. OWR-OA-029 and the Shire of Dalwallinu 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>As stated in the AMP, service will be available to all properties within the services area on request and payment of a prescribed fee. Services will be provided where the sewer is currently available and properties are within 91 metres of the scheme.</p> <p>The Shire of Dalwallinu is expecting increased demand due to the mining boom. A further 10 residential lots have been developed during 2007, using a new sewerage pump facility to transfer waste to the mains sewer system. A new sub-division of 45 residential lots has been approved. The existing waste system is operating at approximately 65% of its design capacity and these new sub-divisions can be accommodated.</p> <p>Council is also considering costs to extend the Scheme into the industrial areas on the eastern town boundary.</p>	5 Fully compliant
Cl.5	Adherence to Regulation	4	No regulations had been published at the time of the audit.	N/A

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating
	The Licensee shall comply with Regulations prescribing standards of service made under section 61 of the Act.			
CI.6	<p>Asset Management System</p> <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>	4	<p>The Shire of Dalwallinu Asset Management Plan (AMP) has been updated in October 2008.</p> <p>The cover of the AMP states that the document was created in 1998 and updated in October 2008, however the AMP does not contain any provision re the frequency and procedures for the AMP review and update.</p> <p>The effectiveness of the asset management system is currently being audited and the final report will be provided to the Authority. 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 Authority and not planned.</p> <p>Audit recommends to:</p> <ul style="list-style-type: none"> ▪ Update the AMP for details on frequency of the review and review procedures including the requirement to notify the Authority of any changes to the asset management system within the required timeframe as per the licence. ▪ Update the AMP for a document history section which will detail in a tabular form the date of the review or update of the document, person who performed it and brief description of the changes to the document from previous version. ▪ Develop and implement a compliance schedule with the Asset Management System review dates included as part of the schedule of events to ensure regulatory timeframes are met. 	4 Compliant with minor issues

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating
			<ul style="list-style-type: none"> 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>) 	
CI.7	<p>Operational Audit</p> <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>	4	<p>This performance audit is now being undertaken and will be completed within the prescribed time.</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 Authority 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. (<i>Action Plan item 1.5</i>) 	4 Compliant with minor issues
CI.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
CI.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	Confirmed through the discussion with the Shire's EHO that no changes were made to the sewerage systems since the previous audit.	5 Fully compliant
CI.10	<p>Accounting Records – Prepared to Standard</p> <p>Consistent with the accounting requirements of the</p>	4	Each year the Shire of Dalwallinu prepares a comprehensive Annual Report for the whole of the Shire, which is independently	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
	<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>audited by a certified auditor.</p> <p>Audit sighted the Shire's Financial Report for the year ended 30th June 2008 including an Independent Audit Report that confirmed the financial reports are in accordance with the Local Government Act, the Local Government Financial Management Regulations, applicable Accounting Standards and other mandatory professional reporting requirements and represent fairly the financial position of the Shire of Dalwallinu as at 30 June 2008 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>	
Cl.11	<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>	4	<p>The Sewerage Scheme Rates for 2008/2009 were approved during the Dalwallinu Council Budget Meeting held on the 17th June 2008 as evidenced in the minutes for that meeting.</p> <p>Prices and charges are listed for each class of customer.</p>	5 Fully compliant
Cl.17	<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>	4	Sighted Inspection Report – Dalwallinu Waste Water Treatment Plant – Registration R1606/2004/1 from Department of Environment and Conservation (Ref. MG455,) dated 14 July 2008, confirming the compliance with registration R1606/2004/1.	5 Fully compliant
Cl.15(c)	<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 action to be taken by the Licensee. An emergency is an event which causes, or threatens to cause, harm to</p>	1	The Shire maintains a 24-hour emergency contact service for emergency events, such as an overflow from a sewer. The after hours emergency customer service telephone numbers for the Works Manager and the Plumber are provided in the Customer Service Charter.	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
	people, the environment or property.			
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 reported in its annual performance report for 2006/07 11 blockages and 0 overflows, and for 2007/08 12 blockages and 1 overflow. The 2005/06 annual performance report was not available for review.</p> <p>The maintenance team checks the sewerage system for blockages on a weekly basis. The blockages occur mainly due to root invasion. The system is rodded twice annually. Inspection of all pipes is carried out in April and September at which time all pipelines are to be rodded to clear tree root invasion of lines. Prior to the December holiday shut down, maintenance and rodding of problem reticulation pipes is done again.</p>	<p>4</p> <p>Compliant with minor issues</p>
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 Dalwallinu and on the bowling club. The land is owned by the Shire of Dalwallinu and is leased out to the bowling club. The Shire still maintains the grounds of the bowling club. The non-potable water is only used on spray irrigation. As confirmed by the Shire's EHO, the only tap located on the grounds has a lock on it. The Shire of Dalwallinu 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 and on the bowling club grounds. An annual notification is put in the local paper.</p>	<p>5</p> <p>Fully compliant</p>
Cl.16	<p>Services by Agreement</p> <p>The Licensee may enter into agreements with Customers to provide Water Services.</p> <p>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</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 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</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
	approval of the Authority.		<p>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 214 connections in 2006 to 216 connections in 2008. The number of non-residential sewerage connections remained unchanged.</p> <p>Audit confirmed through discussion with the Shire's EHO that no customer agreements are in place and that the Shire has not entered into any agreement with a customer that excludes, modifies or restricts the terms and conditions of the Licence.</p>	
CI.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 provided are undertaken in-house, plus the Shire has an arrangement with the local licensed plumber.	<p>5</p> <p>Fully compliant</p>
CI.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> <ul style="list-style-type: none"> (i) record details of each Customer Complaint and its outcome; (ii) provide an officer trained to deal with Customer Complaints who is authorised to, or has access to another officer who has the 	4	<p>The Customer Service Charter outlines the process in regards to enquiries, suggestions, complaints and disputes.</p> <p>Information pertaining to Sewerage Scheme defects is maintained in the Sewerage Scheme Defect Register. Sighted the Register.</p> <p>The Sewerage Scheme Defect Register provides details on date and time of report, who reported it, location of the fault and description of the fault. Maintenance team will then complete who repaired the fault, date completed and details of the repair.</p> <p>The Shire's Works Supervisor and CEO are authorised to respond to the customer complaints. However, as advised by the Shire's EHO no complaints resolution training was provided to Shire's staff and staff learned complaints resolution skills predominantly on the job.</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>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 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>Recommendation:</p> <ul style="list-style-type: none"> ▪ Provision of formal complaint resolution training could be of a benefit to the Shire's staff. (<i>Action Plan item 1.3</i>) 	

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 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.			
Cl.19	<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 Charter or replacement thereof must also be forwarded to the Authority for approval prior to implementation.</p>	3	<p>The Shire of Dalwallinu provided a copy of the Customer Service Charter that was updated in October 2008. The Shire's EHO confirmed that the only change from the previous version was the change of the Shire's CEO.</p> <p>The Shire of Dalwallinu Customer Service Charter published on Authority's website has been reviewed in October 2006 and approved by the Authority on 3 November 2006.</p> <p>The Shire of Dalwallinu first submitted their charter to the Authority for approval on 29th August 2006. The charter required further amendments. The Shire of Dalwallinu re-submitted the final version of the charter on 25th October 2006. The previous charter was approved by the Authority in September 2003. The audit found that the Shire of Dalwallinu 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 the Authority and not planned.</p> <p>The 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. The charter is also available on the Shire's website.</p> <p>The Shire of Dalwallinu has provided a copy of its customer service charter advertisement published in the local newspaper advising its customers of the availability of the customer service charter at the Shire's office and on the Shire's website. However,</p>	4 Compliant with minor issues

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating
	<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>this was done for the first time and no process is in place to ensure notification on annual basis.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ 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. (<i>Action Plan item 1.6</i>) 	
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 wastewater treatment works or significant expansion of the sewerage network, the Licensee will:</p> <ul style="list-style-type: none"> (i) hold a public meeting to obtain Customer views on the performance and operation of the scheme; or (ii) advertise for written submissions on the proposal. <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>	4	<p>As stated in the Customer Service Charter, community involvement in the Shire of Dalwallinu's service planning and decision making processes will be sought through focus groups, customer surveys, and displays at local functions. The Shire of Dalwallinu will use local media bulletins to advise customers of any change that may result in significant variation in its service levels.</p> <p>There are annual meetings in the town to discuss community concerns and seek customer feedback on Shire service generally.</p> <p>The Shire also allows its customers to raise matters of concern regarding the sewerage system at public question time during the Dalwallinu Council meetings.</p> <p>There were no major changes to the operation of the water services during the audit period that would require public</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
			consultation.	
CI.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	The Shire had not been requested to commission a survey by the Authority at the time of the audit.	N/A
CI.14(a) CI.14(b)	<p>Incident Reporting</p> <p>The Licensee shall inform the Authority of the 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>	3	<p>As per the Schedule 3 Reports, the Shire of Dalwallinu reported one sewerage overflow attributable to a blockage or failure in the licensee's infrastructure for 2007/08. However, as confirmed through discussion with the Shire's EHO the Shire of Dalwallinu did not report this overflow to the Authority within 5 days of its occurrence.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Inform the Authority of any sewerage overflows from wastewater/ sewerage infrastructure, including wastewater treatment plants, pumping stations etc. within five days of their occurrence; and ▪ 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>	2 Non - compliant
CI.14(c)	Annual Performance Reporting	3	The audit confirmed that the licensee had produced the annual	3

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating
Sch 3	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>performance reports for 2006/07 and 2007/08. However, the Shire's EHO was not able to find a copy of the 2005/06 annual performance report, which should have been completed by the previous EHO.</p> <p>Audit noted that the annual performance reports for 2006/07 and 2007/08 were submitted within the required time, on 5 July 2007 and 14 July 2008 respectively. However, 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 Authority.</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 timeframes for annual performance report submission included as part of the schedule of events to ensure regulatory timeframes are met. ▪ 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. (<i>Action Plan item 1.2</i>) 	Partially compliant
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 2006/07 and 2007/08 and confirmed that the Shire did comply with the performance standards as set out in Schedule 2 of the licence.</p> <p>However, the audit was unable to ascertain compliance with the</p>	3 Partially compliant

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating
			performance standards for 2005/06 period, due to the unavailability of the 2005/06 Annual Performance Report for review.	

3.4 INTEGRITY OF PERFORMANCE REPORTING

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

The audit confirmed that the licensee had produced the annual performance reports for 2006/07 and 2007/08. However, the Shire's EHO was not able to find a copy of the 2005/06 annual performance report, which should have been completed by the previous EHO.

Audit noted that the annual performance reports for 2006/07 and 2007/08 were submitted within the required time, on 5 July 2007 and 14 July 2008 respectively. However, 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 Authority.

Moreover, as the information for the reports comes from a variety of sources and is collated manually, the performance reporting process needs to be formalised and documentation created to explain where and how to source the required information, with copies of source documents filed and kept together with a copy of the Schedule 3 Annual Performance Report to allow easier checking of the validity of the results.

The audit recommendations to the Shire of Dalwallinu to improve the strength of its internal controls to maintain compliance with its performance reporting obligations are detailed 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 Dalwallinu has complied with the performance and quality standards of its Water Services Operating Licence during the audit period 1 December 2005 to 30 November 2008 apart from:

- Non-reporting of overflows to the Authority within 5 days of its occurrence (and incident reporting generally);
- The 2005/06 performance report which should have been completed by the previous Environmental Health Officer (EHO) was unable to be located. 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; and
- The Shire of Dalwallinu lacks formal processes to ensure that documentation is prepared and submitted to the relevant authorities on time and to ensure compliance with the regulatory timeframes.

The previous audit made a recommendation for improved incident reporting which has been partially completed. All other recommendations have been implemented.

The audit identified a number of opportunities to improve the strength of internal controls to maintain compliance rather than rely upon key staff to ensure that compliance obligations are being met.

4. Asset Management Review

The effectiveness of the Shire's asset management system for the sewerage scheme 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>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. Opportunities and threats in the system have been further discussed in the Operational Planning section of the AMP and in the Supporting Notes to the Capital Expenditure Plan.</p>	Completed
2	<p>Asset Management System Analysis</p> <p>The AMP was reviewed in January 2003 and is an excellent document with clearly written operation and maintenance plans.</p> <p><i>Recommendation: The AMP will need to be reviewed in 2006. The asset deterioration is currently only based on predicted life span. This aspect of the AMP could be improved by incorporating systematic patterns to determine actual asset deterioration and failure. The Asset's pipe lines also need to be investigated to determine future strategies to prevent blockages.</i></p>	<p>The AMP was updated in October 2008.</p> <p>A review of all components of the waste water treatment process was undertaken in early 2006. The general condition of assets has been assessed as good, therefore it is considered sufficient to continue with the current practice of predicting the asset deterioration based on predicted life span.</p> <p>Inspection of all pipes is carried out twice a year and rodded to limit blockages. Pipe replacement as and when required.</p> <p>The audit made further recommendations to improve the asset condition and performance assessment (Action Plan item 2.3).</p>	Completed
3	<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</i></p>	<p>The AMP includes risk analysis and impact assessments for power failure (pump failure or electrical failure), pipeline bursts and blockages, and chlorinator failure. The AMP also incorporates emergency procedures on how to deal with those situations when they occur. These risks were identified based on many years of experience with the system and the Shire's staff awareness of what can go wrong with the system.</p> <p>The AMP also incorporates emergency procedures on how to deal with risk situations when they occur. The more detailed contingency plan to overflows at wastewater treatment plant is outlined in the Shire of Dalwallinu Wastewater Operation and</p>	Completed

Item No.	Recommendation	Action Taken	Closed
	<i>contingency plan.</i>	Maintenance Manual including prevention, preparedness, response, and recovery. <i>The audit made further recommendation to improve contingency plans and testing. (Action Plan item 2.2)</i>	
4	<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>	The AMP provides the Operation and Maintenance – Income and Expenditure forecast for the next 10 years. The difference between the rates income and the operating expenditure is to be transferred to the Sewerage Reserve Fund.	Completed
5	<p>Capital Expenditure Plan</p> <p>The capital expenditure plan was not updated during the last review. There is 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 asset is being expanded this is particularly important.</i></p>	The forecast lifecycle asset replacement program for next 10 years is included in the Capital Works Schedule of the AMP.	Completed
6	<p>Review</p> <p>The Asset Management Plan and the Customer Charter have been reviewed since the last audit was undertaken and have been submitted to the Authority for approval.</p> <p>The licence stipulates that the AMP and Charter should be reviewed no later than every 36 months.</p> <p><i>Recommendation: The AMP and Charter need to be updated in</i></p>	<p>The Shire of Dalwallinu Customer Service Charter was reviewed in October 2006 and approved by the Authority on 3rd November 2006.</p> <p>The Shire of Dalwallinu Asset Management Plan (AMP) has been updated in October 2008.</p> <p><i>Audit made further recommendations to improve the internal control over the review of the Asset Management Plan and the Customer Service Charter. (Action Plan items 1.6 and 2.5)</i></p>	Completed

Item No.	Recommendation	Action Taken	Closed
	2006.		

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 Dalwallinu Asset Management Plan (AMP) does include the following mission statement: “The mission of the Shire of Dalwallinu in providing this service is to provide cost effective wastewater collection, treatment and disposal services for the town of Dalwallinu, 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 Dalwallinu 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 costs of upgrading or replacing of current sewerage scheme assets have been budgeted for in the Capital Works Schedule of the AMP. Operation and maintenance costs are budgeted for in the Operational and Maintenance – Income and Expenditure schedule of the AMP.</p> <p>The Reserve Fund has been established to meet major capital upgrades/replacement of key infrastructure.</p>	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)
1.3	Does the planning process and objectives reflect the needs of all stakeholders?	Yes, the needs of all stakeholders appear to be considered.	4
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?	No new assets are currently planned, only upgrades and maintenance to the existing system, and replacements of existing infrastructure as required. These are budgeted for in the Capital Works Schedule and Operational and Maintenance – Income and Expenditure schedule of the AMP.	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 accordance 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>The review of all components of the wastewater treatment process was undertaken in early 2006. Additionally, under-performing assets may be identified during routine preventative maintenance.</p> <p>Apart from regular maintenance, the AMP does not define any formal process for assets' condition and performance review on regular i.e. annual basis.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ Instigate a formalised system of asset appraisal on annual basis, to assess condition and performance of each asset. In conjunction with the physical assessment a review should be undertaken of the assets in the system to ensure that they have the capability to meet performance requirements. The results of these assessments should be then used as a basis for capital expenditure and maintenance planning. (Refer Action Plan item 2.3). 	2
3.2	Is there a replacement strategy?	<p>An asset renewal and replacement plan assumes replacing assets at the end of their effective life, if required. This is budgeted for in the Capital Works Schedule of the AMP.</p> <p>The Reserve Fund has been established to meet major capital upgrades/replacement of key infrastructure.</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
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 system is meeting demand and working close to capacity. As such there are no plans to dispose of any major assets in the foreseeable future.	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)
		Should asset condition assessment reveal under-performing assets or service level change dramatically; an asset disposal plan would be required, to ensure that the process is correctly undertaken.	
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?	Generally, once under-utilised or under-performing assets are identified, the reasons for their under-utilisation or poor performance are investigated and corrective action is taken to remedy to the situation, or the asset is 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?	These details are contained in the Description of Asset System section of the AMP.	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, and opportunities and threats in the system have been further discussed in the Operational Planning section of the AMP and in the Supporting Notes to the Capital Expenditure Plan.	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; 	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 Act 1984; and ▪ 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 Dalwallinu 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 Dalwallinu 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		3
5.1	Has a risk assessment of the asset been conducted?	<p>The AMP includes risk analysis and impact assessments for power failure (pump failure or electrical failure), pipeline bursts and blockages, and chlorinator failure. The AMP also incorporates emergency procedures on how to deal with those situations when they occur.</p> <p>Overall, the risk assessment for asset management planning is very basic. The AMP does not incorporate a detailed risk analysis specifying potential risk scenarios and detailing the associated corrective actions/remedies. The potential risks were identified based on many years of experience with the system and the Shire's staff awareness of what can go wrong with the system.</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)
5.2	Has the probability and consequences of asset failure been identified?	The probability and consequences of asset failure have been identified in the AMP.	3
5.3	Is risk management practiced?	<p>Overall, the risk assessment for asset management planning is very basic. The potential risks were identified based on many years of experience with the system and the Shire's staff awareness of what can go wrong with the system..</p> <p>However, this is considered sufficient for the scale of the Shire's operation. The Shire's staff is well aware of risks associated with the operation of the sewerage system.</p>	3
5.4	Are risk control measures implemented for risks identified as unacceptable?	The AMP includes risk analysis and impact assessments for power failure (pump failure or electrical failure), pipeline bursts and blockages, and chlorinator failure. The AMP also incorporates emergency procedures on how to deal with those situations when they occur.	3
6	CONTINGENCY PLANNING		3
6.1	Is there sufficient contingency planning and backup?	<p>The AMP incorporates emergency procedures on how to deal with risk situations when they occur, including power failure (pump failure or electrical failure), pipeline bursts and blockages, and chlorinator failure.</p> <p>The more detailed contingency plan to overflows at wastewater treatment plant is outlined in the Shire of Dalwallinu Wastewater Operation and Maintenance Manual including prevention, preparedness, response, and recovery.</p>	3
6.2	Is disaster recovery regularly tested?	<p>Although the need for annual awareness of staff likely to be involved in response to overflows has been stated in the wastewater treatment plant overflow contingency plan, there is no evidence of the Shire's emergency procedures testing being carried out to ensure that appropriate persons are aware of their responsibilities in case of emergency.</p> <p>Recommendation:</p>	0

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"> ▪ Testing/assessment of the emergency procedures and contingency plan to be carried out 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. ▪ Written records of these tests/assessments should be kept with the appendices of the AMP. (<i>Action Plan item 2.2</i>) 	
6.3	Are appropriate contingency plans in place?	Yes, a set of emergency procedures appears to be appropriate for the operation of the sewerage scheme.	3
6.4	Have contingency plans been developed for events that may result in severe consequences?	Yes, a set of emergency procedures appears to be appropriate for the operation of the sewerage scheme.	3
7	ASSET MANAGEMENT INFORMATION SYSTEM		2
7.1	Is there adequate system documentation?	The asset system is managed without the aid of a specialised computerised system. The financial component of the system is managed by the Shire's financial officer through a system of paper and electronic programs. Procedures relating to account keeping, data security and back-up are outlined in general council procedures.	2
7.2	Do the input controls include appropriate verification and validation of data entered into the system?	At the Shire, the asset system is managed without the aid of a specialised computerised system.	0
7.3	Are key computations documented and are they accurate?	At the Shire, the asset system is managed without the aid of a specialised computerised system.	0
7.4	Do reports meet management	The financial reports prepared by the Shire do meet management requirements.	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)
	requirements?		
7.5	Are the logical security access controls such as passwords adequate?	There is a password access to the Shire's system and the EHO's PC which restricts access to authorised Shire officers.	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?	At the Shire, the asset system is managed without the aid of a specialised computerised system.	0
7.8	Is the functionality of the AMIS adequate for the licensee's needs?	At the Shire, the asset system is managed without the aid of a specialised computerised system.	0
8	ASSET OPERATIONS		4
8.1	Are practices covering operating rules documented?	Practices covering operating rules are documented in the Wastewater Operation and Maintenance Manual.	4
8.2	Do operational practices reflect performance targets?	Yes, current operational practices 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?	Yes, the operational plans appear to be related and linked to required levels of service.	4
8.4	Are the asset system components documented?	The Description of Asset System section of the AMP clearly identifies the key components forming part of the Dalwallinu sewerage scheme including part numbers and service capacities. The AMP also includes a plan of the asset, layout for the wastewater treatment plant and pumping stations, and a reticulation layout identifying specific reticulation mains highlighted as separate assets.	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)
		Recently, a photographic survey of key components of the sewerage scheme was undertaken and the resulting photos were incorporated into the AMP. This allows for easy visual identification/familiarisation with the specific components of the Dalwallinu sewerage scheme.	
8.5	Does the register record asset type, location, material and an assessment of assets' physical/structural condition?	<p>The current Asset Register includes details on:</p> <ul style="list-style-type: none"> ▪ Asset Number; ▪ Asset type; ▪ Capacity; ▪ Year commissioned; ▪ Assumed economic life; ▪ Estimated replacement year; ▪ Replacement cost; ▪ Condition rating; ▪ Importance Rating; and ▪ Role of asset. <p>The assets' location is documented on the maps.</p>	4
8.6	Is the asset's theoretical life known?	The asset register contains information on the assumed economic life of each asset.	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?	<p>The actual assets and human resources seem to be appropriate for the performance requirements.</p> <p>The audit reviewed the human resources outlined in the AMP as well as in the Wastewater Operation and Maintenance Manual and noted some discrepancies between the documents. Also, the audit noted that contact details of people involved in the scheme as outlined in the Operation and Maintenance Manual need to be reviewed</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>and updated. For example, Bill Atyeo is still identified as the Community Service Manager/EHO in the Manual. Peter Zenni is currently in this position.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Review the human resources and their responsibilities for all staff involved with the scheme as outlined in the AMP, as well as the Wastewater Operation and Maintenance Manual for current resources deployed and consistency between both documents. Update both documents accordingly. Review and update the Wastewater Operation and Maintenance Manual for current contact details of all people involved with the scheme. (Action Plan item 2.3) 	
9	ASSET MAINTENANCE		3
9.1	Are practices covering maintenance documented?	<p>Practices covering maintenance are documented in the Wastewater Operation and Maintenance Manual.</p> <p>Maintenance is regularly performed on assets. There are two Maintenance Registers, Pool Maintenance Book and Irrigation Maintenance Book. The site diaries (which are completed on site for each day of use) are stored at the Shire Administration Centre along with any site Audit Sheets that have been completed. Monthly chlorine testing is also recorded in the maintenance register, as well as the weekly test of all distribution pumps.</p>	3
9.2	Do maintenance plans cover preventative and corrective maintenance?	Overall, the maintenance is geared towards preventative maintenance. This will ensure that the system continues to operate effectively and any deterioration in the condition of an asset is picked up in time to ensure proper planning of replacement or renewal.	3
9.3	Do maintenance practices reflect	The current maintenance practices appear to reflect performance targets. The	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)
	performance targets?	<p>maintenance practices are designed to ensure that the sewerage system operates effectively and meets the system objectives.</p> <p>However, as advised by the Shire's EHO, the Shire of Dalwallinu is currently not maintaining a consolidated and up to date training matrix for its staff. A staff matrix should identify existing staff competencies and identify the need for future training requirements. The Shire's EHO is aware of this issue and already raised it at a staff meeting as well as an OHS Committee meeting.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ Develop and implement a consolidated and up to date training matrix identifying existing staff competencies as well as identifying future training requirements. (Action Plan item 2.4) 	
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?	Yes, the maintenance plans appear to be related and linked to required levels of service.	3
10	FINANCIAL PLANNING		4
10.1	Does the financial plan provide projections of operating statements (profit and loss) and statement of financial position (balance sheets);	<p>A complete Annual Budget document is completed for each coming financial year for the Shire which includes the Sewerage System and actuals/budget are monitored.</p> <p>Financial reports are presented to the Council on a monthly basis.</p>	4
10.2	Does the financial plan cover the financial objectives and strategies and actions to achieve the objectives?	The financial management objective is to provide and maintain an effective and efficient sewerage plant operation to serve the township of Dalwallinu. The financial plan details the strategies and actions to achieve this objective.	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)
10.3	Does the financial plan identify the source of funds for the capital expenditure plan?	Yes, a Reserve Fund has been established to meet major upgrades/ replacement of key infrastructure. The reserve is targeted to meet 50% of costs associated with the replacement of the Imhoff Tank and or major replacement of sewer drains. The balance to be funded by Loan funds. The Sewerage Reserve had a balance of \$136,338 as at 30 th June 2008.	4
10.4	Is the source of funds for operations, maintenance and administration identified in the financial plan?	The Financial plan identifies sewerage rates as a major source of funds for operations, maintenance and administration of the sewerage scheme. The AMP provides the Operation and Maintenance – Income and Expenditure forecast for next 10 years. The difference between the rates income and the operating expenditure is to be transferred to the Sewerage Reserve Fund.	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 AMP provides the Operation and Maintenance – Income and Expenditure forecast for next 10 years.	4
10.6	Does the financial plan provide for the operations and maintenance, administration and capital expenditure requirements of the scheme?	The AMP provides the Operation and Maintenance – Income and Expenditure forecast for next 10 years.	4
11	CAPITAL EXPENDITURE PLANNING		4
11.1	Has a capital expenditure plan been prepared?	The forecast lifecycle asset replacement program for next 10 years is included in the Capital Works Schedule of the AMP.	4
11.2	Does the plan cover the issues to be addressed, the actions proposed, the centre of responsibilities, and deadline	The analysis assumes that assets will be replaced at the end of their standard economic life.	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)
	dates?		
11.3	Does the plan provide reasons for capital expenditure and timing of expenditure?	Yes, the Capital Works Schedule provides reasons as well as proposed timing of expenditure.	4
11.4	Is the capital expenditure plan consistent with the asset life and condition identified in the asset management plan?	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.	3
12	REVIEW OF AMS		2
12.1	Is a review process in place to ensure that asset management plans are kept current?	<p>The Shire of Dalwallinu Asset Management Plan (AMP) has been updated in October 2008.</p> <p>The cover of the AMP states that the document was created in 1998 and updated in October 2008. However, the AMP does not contain any provision on the frequency and procedures for the AMP review and update.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ Update the AMP for details on frequency of the review and review procedures including the requirement to notify the Authority of any changes to the asset management system within the required timeframe as per the licence. (<i>Action Plan item 1.4</i>) 	2
12.2	Are asset management plans being reviewed at appropriate intervals?	<p>The cover of the AMP states that the document was created in 1998 and updated in October 2008. However, the AMP does not contain any provision on the frequency of the AMP review.</p> <p>Recommendation:</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)
		<ul style="list-style-type: none"> ▪ The Asset Management Plan be reviewed annually and reissued when changes occur. The maintenance, capital expenditure plans and financial plans shall be revised annually. ▪ Keep track of all reviews of the AMP. (<i>Action Plan item 2.5</i>) 	
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 Regulatory Requirements section of the Asset Management Plan in line with the requirements of the new operating licence for the sewerage services issued to the Shire of Dalwallinu on 6th August 2008, and to document all current regulatory requirements. ○ Review the human resources and their responsibilities for all staff involved with the scheme as outlined in the AMP as well as the Wastewater Operation and Maintenance Manual for current resources deployed and for consistency between both documents. Update both documents accordingly. ○ Review and update the Wastewater Operation and Maintenance Manual for current contact details of all people involved with the scheme. <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>) 	2

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 procedures for review of the Asset Management Plan/System need to be formalised and some sections of the Asset Management Plan require updating.

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

All of the previous audit recommendations have been implemented.

END OF REPORT