



Shire of Koorda

Audit Report

Water Licence Operational Audit and Asset Management Review

Final Report
30 April 2009

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

Suite 2, 188 Adelaide Terrace, Perth **M.** PO Box 6882, East Perth WA 6892

T. 08 9225 5181 **F.** 08 9225 5313

E. mail@quantumassurance.com.au **W.** www.quantumassurance.com.au

TABLE OF CONTENTS

Executive Summary	2
INTRODUCTION.....	2
CONCLUSION	2
SIGN-OFF	3
LICENSEE ACTION PLAN	4
1. Background.....	11
2. Audit Approach	12
2.1 OBJECTIVES AND SCOPE.....	12
2.2 AUDIT PERIOD AND TIMING	12
2.3 LICENSEE’S REPRESENTATIVES PARTICIPATING IN THE AUDIT.....	12
2.4 KEY DOCUMENTS EXAMINED	13
2.5 COMPLIANCE RATINGS.....	13
2.6 EFFECTIVENESS RATINGS	14
2.7 AUDIT TEAM AND HOURS.....	14
3. Operational Audit.....	15
3.1 SUMMARY OF COMPLIANCE RATINGS	15
3.2 PREVIOUS AUDIT RECOMMENDATIONS	16
3.3 AUDIT RESULTS AND RECOMMENDATIONS.....	18
3.4 INTEGRITY OF PERFORMANCE REPORTING	30
3.5 RECOMMENDED CHANGES TO THE LICENCE	30
3.6 CONCLUSION.....	30
4. Asset Management Review.....	31
4.1 SUMMARY OF EFFECTIVENESS RATINGS	32
4.2 PREVIOUS AUDIT RECOMMENDATIONS	33
4.3 AUDIT RESULTS AND RECOMMENDATIONS	37
4.4 CONCLUSION.....	52

Executive Summary

INTRODUCTION

The Shire of Koorda ("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 Koorda.

The Koorda sewerage scheme was originally constructed during 1980. The scheme is operated by the Shire of Koorda and includes a gravity reticulation system, a pump station and treatment plant. The scheme collects and treats approximately 200m³ of residential and commercial liquid waste per day servicing 149 residential and 32 non-residential properties. The volume of wastewater treated is approximately 25,000kl/annum. The scheme consists of 4.35 km of gravity mains. The primary and overflow ponds have a storage capacity of 8,784m³.

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

- Non-reporting of overflows to the Authority within 5 days of its occurrence (and incident reporting generally); and
- The 2005/06 performance report being 38 days late. Moreover, as the information for the annual performance reports come from a variety of sources, the performance reporting process needs to be formalised and documentation created to explain where and how to obtain the required information;
- The completed Sewerage System Defect Reports are kept on the file, but no Complaints Register is in place to record details of customer complaints and their outcomes; and
- The Shire of Koorda 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 also made a recommendation for improvement of incident reporting and the annual performance reporting, which is now partially completed. Other previous audit recommendations regarding maintenance scheduling and the Customer Charter have been completed.

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

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

The previous Asset Management System (AMS) review recommendations regarding risk analysis and contingency plans and review of the AMS were partially completed. Other recommendations concerning asset planning/creation/acquisition, environmental analysis, asset management system analysis, financial planning and capital expenditure planning have been completed.

Summary of Issues and Recommendations

The following Licensee Action Plan provides a summary of the issues and recommendations for the operational audit and asset management review with management responses from the Shire of Koorda. 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

30 APRIL 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 (Cl.14(a),(b))</p> <p>The Shire's Annual Performance Report for 2005/06 reported 10 sewerage overflows attributable to a blockage or failure in the licensee's infrastructure. However, as confirmed through discussion with the Shire's EHO, the Shire of Koorda did not report these overflows to the Authority within 5 days of its occurrence.</p> <p>No sewerage overflows were reported to the Authority as per the Annual Performance Reports for 2006/07 and 2007/08 periods.</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 30 June 2009</p>
1.2	<p>Annual Performance Reporting (Cl.14, Schedule 3)</p> <p>The audit confirmed that the licensee had produced reports as per the requirements of Schedule 3 of the licence for the 2005/06, 2006/07 and 2007/08 periods.</p> <p>Audit noted that although the Annual Performance Reports for 2006/07 and 2007/08 were submitted within the required time, on 13th July 2007 and 27th June 2008 respectively, the 2005/06 report had been submitted to the Authority on 7th September 2006 and therefore not on time in compliance with the licence requirements. There is no system in place to ensure the timely submission of reports and the submission of reports is purely reactionary to the reminder received</p>	2	<p>Develop and implement a compliance schedule with timeframes for annual performance report submission included as part of the schedule of events to ensure regulatory timeframes are met. The compliance schedule will also assist compliance with regulatory timeframes by the replacement staff if the Shire's EHO is not available 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 30 June 2009</p> <p>EHO 30 June 2009</p>

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
	<p>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>				
1.3	<p>Customer Complaints (CI.20)</p> <p>The form to be filled out to submit a complaint, enquiry or suggestion to the Shire is contained in Appendix 1 of the Customer Service Charter.</p> <p>For the 12 month period to the 30 June 2008 four (4) sewerage system defect reports were received. However, these were not treated as written customer complaints, but reported as sewerage blockages to the Authority in the Annual Performance Report for 2007/08 period.</p> <p>No written customer complaints were reported to the Authority as per the Annual Performance Reports during the audit period.</p> <p>The completed Sewerage System Defect Reports are kept on the file, but no Complaints Register is in place to record details of customer complaints and their outcomes.</p>	3	<p>A Complaints Register should be developed and maintained by the Shire in order to improve internal control over the recording and reporting of complaints (and the procedures documented).</p> <p>Each customer complaint received by the Shire and its outcome should be recorded in the Complaints Register in sufficient details in order to be able to ascertain:</p> <ul style="list-style-type: none"> ○ Date and time the complaint was received; ○ Name of the complainant; ○ Who received the complaint; ○ Method of complaint; ○ Details of the complaint; ○ Time from report of the complaint to action; ○ Details of the action taken; ○ Name of person authorising; and ○ Date/ time responded. 	<p><i>The Complaints Register will be developed and maintained by the Shire; and complaints recording and reporting procedures will be documented.</i></p> <p><i>Each customer complaint received by the Shire and its outcome will be recorded in the Complaints Register in sufficient details to reflect the recommendation.</i></p>	<p>EHO</p> <p>31 July 2009</p>
1.4	<p>Asset Management System (CI.6)</p> <p>The AMP contains a section on Monitoring and Review Procedures that require the AMP to be reviewed five yearly and reissued when changes occur to the current system, processes and procedures. The maintenance and capital investment plans shall be revised annually. However, the audit noted that the requirement to notify</p>	4	<p>Update the Monitoring and Review Procedures section of the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within the required timeframe.</p> <p>Develop and implement the compliance schedule with Asset Management System</p>	<p><i>The Monitoring and Review Procedures section of the Asset Management Plan will be updated to reflect the recommendation.</i></p> <p><i>A compliance schedule</i></p>	<p>EHO</p> <p>30 September 2009</p> <p>EHO</p>

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
	<p>any changes to the system to the Authority is not stated in the AMP's review procedures.</p> <p>The effectiveness of the Asset Management System is currently being audited and the final report will be provided to the Authority. 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 Authority and not planned.</p>		<p>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>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>	<p>30 June 2009</p>
1.5	<p>Operational Audit (CI.7)</p> <p>This performance audit is now being undertaken and will be completed.</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>	4	<p>Develop and implement a compliance schedule with Operational Audit dates included as part of the schedule of events to ensure regulatory timeframes are met.</p>	<p><i>A compliance schedule will be developed and implemented.</i></p>	<p>EHO 30 June 2009</p>
1.6	<p>Customer Charter (CI.19)</p> <p>The Shire of Koorda Customer Service Charter has been reviewed in June 2008 and approved by the Authority on 30 June 2008.</p> <p>The audit found that the Shire of Koorda 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 in future. 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 Shire's reception, and</p>	4	<p>Increase accessibility of the Charter by making the Customer Charter available to customers on the website.</p> <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>The Customer Service Charter will be made available to customers on the Shire's website.</i></p> <p><i>A compliance schedule will be developed and implemented; and the Customer Service Charter annual notification requirement will be noted in the schedule to reflect the recommendation.</i></p>	<p>Finance Manager 31 July 2009</p> <p>EHO 30 June 2009</p>

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
	<p>through discussion with the Shire's EHO that the charter is provided upon request and at no charge to customers.</p> <p>The Shire's EHO advised that the Shire of Koorda advertise the notice advising availability of the Customer Service Charter in the local newspaper annually. However, no process is in place to ensure that the Customer Service Charter availability notification will be provided to the Shire's customers on an annual basis.</p>				
2	Asset Management Review				
2.1	<p>Environmental Analysis</p> <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 Koorda on 6th August 2008.</p>	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 Koorda on 6th August 2008.	<i>The Asset Management Plan will be updated to reflect the recommendations.</i>	EHO 30 September 2009
2.2	<p>Risk Assessment</p> <p>The Risk Management Methodology is outlined in the AMP. The Risk Assessment Excel spreadsheet has been completed for water services operating licence risks and access chambers and gravity mains. However, the sewerage pump station and wastewater treatment plant risk assessment lacks assessment of the adequacy of controls and the priority.</p> <p>The Appendix 5 "Risk and SWOT Analysis" of the Shire's Customer Service Charter also identified some risks such as plant malfunction, power failure, water failure of supply, and environmental risks of fire, earthquake and lightning, however there was no risk assessment done on those risks identified and there appear to be some inconsistency in risk assessment. For example, plant malfunction was identified as a risk in</p>	2	<p>Revise the Risk Assessment following the Risk Assessment Methodology outlined in the AMP and in the Risk Assessment Excel spreadsheet and consolidate the risks identified.</p> <p>Update the Risk Assessment Excel spreadsheet in line with the new operating licence for the sewerage services issued to the Shire of Koorda 6th August 2008.</p>	<p><i>The Risk Assessment will be revised and the identified risks consolidated to reflect the recommendation.</i></p> <p><i>The Risk Assessment Excel spreadsheet will be updated in line with the new water services operating licence.</i></p>	EHO 30 November 2009

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
	<p>the Customer Service Charter, but the risk assessment in the Excel spreadsheet rated the inherent risk of wastewater treatment plant failure as low.</p> <p>Some other risk events have been also identified in the "Mitigation and Management Strategies" section of the AMP.</p> <p>Also, the Risk Assessment Excel spreadsheet needs to be updated in line with the new operating licence for the sewerage services issued to the Shire of Koorda on 6th August 2008.</p> <p>Overall, the risk assessment for asset management planning is very basic. Risk identification was outlined in three different places as noted above and the risk identification is not consistent between documents.</p>				
2.3	<p>Contingency Plans</p> <p>There are basic contingency planning and procedures outlined in the Risk Management section of the Asset Management Plan, but these are over-reliant on individual knowledge. Contingency plans need to be clear enough for someone not directly involved in the day to day operations to be able to successfully action the plan.</p> <p>More detailed contingency plans documenting the steps needed to deal with an unexpected failure of a system, process or procedure need to be developed.</p> <p>The contingency plans have not been tested.</p>	1	<p>Following the risk assessment, a set of contingency plans and emergency procedures should be developed by the Shire to cover situations identified in the risk assessment as being a major or significant risk. For example bushfire affecting ponds or reticulation equipment; reticulation pump or electrical failure; chlorinator failure; extreme rainfall events/water overflows from the ponds; pipeline burst or blockages etc..</p> <p>The contingency plans should include:</p> <ul style="list-style-type: none"> ○ Detailed procedures; ○ Key local contact details – name, number and location; ○ Communication protocols; ○ Specifications, location and availability of emergency equipment; and 	<p><i>A set of contingency plans will be developed to cover situations identified in the risk assessment as being a major or significant risk.</i></p> <p><i>The contingency plans will be reviewed and tested on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency.</i></p>	<p><i>EHO</i></p> <p><i>30 November 2009</i></p> <p><i>EHO</i></p> <p><i>30 November 2009</i></p>

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
			<ul style="list-style-type: none"> ○ Authorities that need to be contacted and when. <p>Once developed, the contingency plans should be reviewed and tested on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency.</p>		
2.4	<p>Asset Operations</p> <p>The audit noted that Mr Neil Flood and Mr Julian Goldacre are named as the Shire’s Environmental Health Officers/Building Surveyors in the Asset Management Plan. However, Mr Neil Flood has since ceased employment with the Shire.</p>	3	<p>The AMP needs to be updated for a change in the human resources supporting the Shire’s sewerage system.</p>	<p><i>The AMP will be updated.</i></p>	<p>EHO 30 November 2009</p>
2.5	<p>Review of Asset Management System</p> <p>The AMP contains a section on Monitoring and Review Procedures that require the AMP to be reviewed five yearly and reissued when changes occur to the current system, processes and procedures. The maintenance and capital investment plans shall be revised annually.</p> <p>The audit noted that the requirement to notify any changes to the system to the Authority is not stated in the AMP’s review procedures. This issue is already covered by Recommendation 1.4.</p> <p>The back page of the AMP contains a “Document Status” table that outlines the revision number, the author, the reviewer, and who approved the AMP for issue and when. The table notes that the AMP was originally approved for issue on 31/01/07. There were no further revisions of the AMP carried out. The users of</p>	3	<p>The Asset Management Plan should be reviewed in more frequent intervals i.e. annually and reissued when changes occur. Accompanying Excel spreadsheet should be updated during the year as required and revised annually.</p> <p>Keep track of all reviews of the Asset Management Plan.</p> <p>Ensure the “Document Status” table is updated every time a change to the Asset Management Plan occurs and the Asset Management Plan reissued.</p> <p>Modify the “Document Status” table to include a brief description of changes to the document from the previous version.</p> <p>Update the sections of the Asset Management</p>	<p><i>AMP is generally reviewed in April of each year in the development of the following annual Shire budget.</i></p> <p><i>The track of all reviews of the AMP will be kept by the Shire.</i></p> <p><i>The ‘Document Status’ table will be updated every time the Asset Management Plan is reissued; and the table will be modified to include a brief description of changes from previous version.</i></p>	<p>EHO 31 May 2009</p> <p>EHO 30 September 2009</p>

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
	<p>the AMP could benefit from a brief description of changes to the document from the previous version.</p> <p>The Monitoring and Review Procedures in the AMP suggest review of the AMP in five yearly intervals and the maintenance and capital investment plans shall be revised annually.</p> <p>The “Document Status” table does not provide for recording details about routine reviews of the document that do not escalate into the reissue of the AMP.</p> <p>The operational audit and asset management system review identified that some sections of the AMP need to be updated to reflect current practices such as:</p> <ul style="list-style-type: none"> ○ Update the AMP in line with the requirements of the new operating licence for the sewerage services issued to the Shire of Koorda on 6th August 2008; ○ The AMP needs to be updated for a change in the human resources supporting the Shire’s sewerage system. etc. 		<p>Plan identified by the operational audit and the asset management system review as requiring amendment.</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 30 September 2009</p>

1. Background

The Shire of Koorda (“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 Koorda.

The Koorda sewerage scheme was originally constructed during 1980. The scheme is operated by the Shire of Koorda and includes a gravity reticulation system, a pump station and treatment plant. The scheme collects and treats approximately 200m³ of residential and commercial liquid waste per day servicing 149 residential and 32 non-residential properties. The volume of wastewater treated is approximately 25,000kl /annum. The scheme consists of 4.35 km of gravity mains. The primary and overflow ponds have a storage capacity of 8,784m³.

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 Koorda. The licence was renewed by way of substitution, on 21st May 1997 and 14th June 2002. On 1st 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 Manual 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 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 16th December 2008.

2.3 LICENSEE'S REPRESENTATIVES PARTICIPATING IN THE AUDIT

- Julian Goldacre – Environmental Health Officer (EHO)
- Graeme McDonald – Chief Executive Officer (CEO)

- Darren West – Works Supervisor

2.4 KEY DOCUMENTS EXAMINED

- Shire of Koorda Operating Licence dated 1/10/2004;
- Shire of Koorda 2005 Operational Audit and Asset Management System Review Final Report (dated January 2006) for the period December 2002 to November 2005;
- 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;
- Koorda Operating Area (Sewerage and Non-potable water supply services) Plan No. OWR-OA-033;
- Shire of Koorda Asset Management Sewerage Scheme Plan No.2;
- Shire of Koorda 2005 Operational Audit and Asset Management System Review Final Report (dated January 2006) for the period December 2002 to November 2005;
- Shire of Koorda 2005 Operational Audit Post-Audit Implementation Plan;
- Shire of Koorda Customer Charter for Wastewater Services reviewed June 2008;
- Economic Regulation Authority Approval of Shire of Koorda Customer Service Charter dated 30 June 2008;
- Shire of Koorda Plan for the Future 2008-2013 dated 16 April 2008;
- Shire of Koorda 2007-2008 Financial Report;
- Shire of Koorda 2007-2008 Annual Report;
- Shire of Koorda 2008/2009 Budget;
- Shire of Koorda Minutes of the Ordinary Council Meeting held on 23rd July 2008;
- Shire of Koorda Asset Management Plan Sewerage and Effluent Reuse Scheme Assets dated January 2007;
- Shire of Koorda Waste Water Assets Management System – Asset Register Excel spreadsheet;
- Shire of Koorda Waste Water Assets Management System – Asset Condition and Performance Excel spreadsheet;
- Shire of Koorda Waste Water Assets Management System – Risk Assessment Excel spreadsheet;
- Shire of Koorda Waste Water Assets Management System – Financial Management Excel spreadsheets;
- Shire of Koorda Waste Water Assets Management System – Maintenance Management Excel spreadsheets;
- Shire of Koorda Annual Performance Report (Schedule 3) to the Authority for the period 2005/06 dated 7th September 2006;
- Shire of Koorda Annual Performance Report (Schedule 3) to the Authority for the period 2006/07 dated 13th July 2007;
- Shire of Koorda Annual Performance Report (Schedule 3) to the Authority for the period 2007/08 dated 20th June 2008;
- Shire of Koorda Sewerage System Defect Reports for 2007/08.

2.5 COMPLIANCE RATINGS

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

COMPLIANCE STATUS	RATING	DESCRIPTION OF COMPLIANCE
COMPLIANT	5	Compliant with no further action required to maintain compliance
COMPLIANT	4	Compliant apart from minor or immaterial recommendations to improve the strength internal controls to maintain compliance
COMPLIANT	3	Compliant with major or material recommendations to improve the strength of internal controls 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.

EFFECTIVENESS	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 (Refer to the 5-point rating scale in section 2.5 for details)				
						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	Strong					✓
Non potable water – health directions	Cl.15(b)	N/A	N/A	N/A	N/A					
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	Weak			✓		
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	Weak		✓			
Compliance with reporting standards	Cl.15(a), Sch.2	2	B	Medium	Moderate					✓
INDIVIDUAL STANDARDS	N/A									

3.2 PREVIOUS AUDIT RECOMMENDATIONS

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

Item No.	Recommendation	Action Taken	Status
1	<p>Asset Management System (CI.6)</p> <p>There was no AMP available for review at the time of the audit. The AMP has not been updated since it was produced in 1999; the Maintenance Schedule contained within the AMP is currently not being followed as there is no knowledge amongst the staff of the AMP.</p> <p><i>Recommendation: The Asset Management Plan must be updated immediately. As part of this, the Asset Maintenance Plan and Register must be updated, usually by the EHO in conjunction with the Works Manager, and implemented. Once finalised, all appropriate staff should be notified of the existence of the AMP and of the proper procedures for operations, maintenance and administration of the wastewater treatment system.</i></p>	<p>The Shire currently operates a simple computerised Asset Management System based on the standard suite of spreadsheets. The Shire's AMP was updated in January 2007 and as confirmed by the Shire's EHO all appropriate staff have been notified of the existence of the AMP and have a knowledge of the proper procedures for operations, maintenance and administration of the sewerage system.</p> <p>Maintenance scheduling has been completed and is detailed in the Maintenance Management Excel spreadsheet.</p>	Completed
2	<p>Performance Standards - Overflows and Blockages</p> <p>The Shire of Koorda did not inform the Authority of an overflow that occurred from the system in November 2005. The overflow did not affect any customers. There is no evidence to prove that the Authority received Schedule 3 from the Shire.</p> <p><i>Recommendation: The Shire of Koorda to inform the Authority of all spills and blockages. The Shire is required to retain all correspondence as evidence to prove if the Authority has received the information. Determine if the Authority has received this information and if not provide the annual statistics immediately to the Authority and ensure future statistics are provided</i></p>	<p>Confirmed that the licensee had produced reports as per the requirements of Schedule 3 of the licence for the 2005/06, 2006/07 and 2007/08 periods.</p> <p>Audit noted that although the Annual Performance Reports for 2006/07 and 2007/08 were submitted within the required time, on 13th July 2007 and 27th June 2008 respectively, the 2005/06 report had been submitted to the Authority on 7th September 2006 and therefore not on time in compliance with the licence requirements. There is no system in place to ensure the timely submission of reports and the submission of reports is purely reactionary to the reminder received from the Authority.</p> <p>The Shire's Annual Performance Report for 2005/06 reported 10 sewerage overflows attributable to a blockage or failure in the licensee's infrastructure. However, as confirmed through discussion with the Shire's EHO the Shire of</p>	Partially Completed

Item No.	Recommendation	Action Taken	Status
	<p><i>as per the requirements of the licence.</i></p>	<p>Koorda did not report these overflows to the Authority within 5 days of its occurrence.</p> <p>No sewerage overflows were reported to the Authority as per the Annual Performance Reports for 2006/07 and 2007/08 periods.</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 items 1.1 and 1.2)</i></p>	
<p>3</p>	<p>Methods or principles to be applied in the provision of Water Services (CI.12)</p> <p>A regular maintenance program needs to be developed and implemented and the sewerage reserve fund should be increased on an annual basis.</p>	<p>Maintenance Scheduling has been completed and is detailed in the Maintenance Management Excel spreadsheet.</p> <p>The Shire maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Koorda Sewerage Scheme. It is anticipated that reserve will be replenished annually and any difference between the sewerage charges and the sewerage operational cost goes to the Sewerage Reserve. In 2007/08 \$42,016 has been transferred to the Sewerage Reserve and the Reserve had a balance of \$268,748 as at 30th June 2008.</p>	<p>Completed</p>
<p>4</p>	<p>Customer Service Charter (CI.19)</p> <p>The Charter was reviewed in February 2005, so it is due for review in 2008. The Charter also needs to be displayed in a visible area in the Shire of Koorda's office and sent annually to customers.</p>	<p>The Shire of Koorda Customer Service Charter was reviewed in June 2008 and approved by Authority on 30th June 2008.</p> <p>Sighted the Customer Service Charter and Authority's approval of the charter.</p> <p>Audit confirmed through sighting that the charter is prominently displayed at the Shire's reception, and through discussion with the Shire's EHO that the charter is provided upon request and at no charge to customers.</p> <p>The Shire's EHO advised that the Shire of Koorda advertise the notice advising availability of the Customer Service Charter in the local newspaper annually. However, no process is in place to ensure that the Customer Service Charter availability notification will be provided to the Shire's customers on an annual basis.</p> <p><i>The audit made a recommendation to improve the Shire's internal control over the Customer Service Charter annual notification. (Action Plan item 1.6)</i></p>	<p>Completed</p>

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 (1,2 = non-compliant 3,4,5 = compliant refer 2.5)
Cl.2(b), Sch.1	Water Services In Designated Areas The Licence permits the provision of Water Services within the Operating Areas described in Schedule 1 subject to compliance with the requirements of the Licence.	5	Maps are kept with the location of all assets related to the waste water services provided by the Shire of Koorda in the town of Koorda. These were compared with the operating area described in Schedule 1 (Plan No.: OWR-OA-033) of the Licence. All assets were found to be well within the specified operating area. Sighted Plan No.: OWR-OA-033 and Shire of Koorda Asset Management Sewerage Scheme Plan No. 2.	5
Cl.12(b)	Availability and Connection of Services 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.	4	The process of connecting to the Shire's services is outlined in the Shire's Customer Service Charter. According to the Shire's Asset Management Plan (AMP) and as discussed with Shire's EHO, the town of Koorda has been experiencing a static population trend within the operating area and the potential impact on the wastewater scheme assets is negligible. The Shire has a 10 year projection which is designed to maintain existing services. The 5 year demand forecast for Koorda has been zero growth in the number and volume of sewerage services.	5
Cl.5	Adherence to Regulation The Licensee shall comply with Regulations prescribing standards of service made under section 61 of the Act.	4	No regulations had been published at the time of the audit.	N/A
Cl.6	Asset Management System (a) The Licensee is to –	4	The Shire's AMP was updated in January 2007. The AMP contains a section on Monitoring and Review	4

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (1,2 = non-compliant 3,4,5 = compliant refer 2.5)
	<p>(i) provide for an asset management system in respect of the Licensee's Water Service Assets;</p> <p>(ii) notify details of the system and any changes to it to the Authority; and</p> <p>(iii) not less than once in every of 36 months (or such longer period as the Authority allows), provide the Authority with a report by an independent expert acceptable to the Authority as to effectiveness of the system.</p> <p>(b) The asset management system is to set out the measures to be taken by the Licensee for the proper maintenance of Assets used in the provision of Water Services and for the undertaking, maintenance and operation of Water Services works.</p> <p>(c) The Licensee is to undertake, maintain and operate its Water Services Works in accordance with the processes set out in the asset management system.</p> <p>(d) The scope of the asset management system report under paragraph (a)(iii) will be set by the Authority.</p>		<p>Procedures that require the AMP to be reviewed five yearly and reissued when changes occur to the current system, processes and procedures. The maintenance and capital investment plans shall be revised annually. However, the audit noted that the requirement to notify any changes to the system to the Authority is not stated in the AMP's review procedures.</p> <p>The effectiveness of the Asset Management System is currently being audited and the final report will be provided to the Authority. 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>Recommendation:</p> <ul style="list-style-type: none"> ▪ Update the Monitoring and Review Procedures section of the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within the required timeframe. ▪ Develop and implement a compliance schedule with Asset Management System review dates included as part of the schedule of events to ensure regulatory timeframes are met. ▪ Note the required timeframes for the notification of the asset management system changes to the Authority in the compliance schedule to ensure regulatory timeframes are met in case of changes occurring in the asset management system. (<i>Action Plan item 1.4</i>) 	
CI.7	<p>Operational Audit</p> <p>(a) The Licensee is to, not less than once in every</p>	4	This performance audit is now being undertaken and will be completed.	4

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (1,2 = non-compliant 3,4,5 = compliant refer 2.5)
	<p>period of 36 months (or such longer period as the Authority allows), provide the Authority with an Operational Audit conducted by an independent expert acceptable to the Authority.</p> <p>(b) An Operational Audit is an audit of the effectiveness of measures taken by the Licensee to maintain any quality and performance referred to in the License and applied to the Licence including those standards prescribed under section 33 of the Act.</p>		<p>However, we did not identify a process in place to ensure that the timeframes would be met in future. 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. (Action Plan item 1.5) 	
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 Government Gazette 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	<p>The sewerage system was built to appropriate standards when constructed during 1980.</p> <p>Confirmed though discussion with the Shire's EHO that no changes were made to the sewerage system since the previous audit. The EHO is aware of the Code.</p>	5
CI.10	<p>Accounting Records – Prepared to Standard</p> <p>Consistent with the accounting requirements of the <i>Local Government Act 1995</i>, the Licensee shall prepare its accounts in a way which enables it to issue an operating statement which accurately describes its income and expenditure in relation to the Water Services provided under the Licence on an accruals basis.</p>	4	<p>Each year the Shire of Koorda prepares a comprehensive Annual Report for the whole of the Shire, which is independently audited by a certified auditor.</p> <p>Audit sighted the Shire's Financial Report for the year ended 30th June 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</p>	5

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (1,2 = non-compliant 3,4,5 = compliant refer 2.5)
			<p>fairly the financial position of the Shire of Koorda as at 30th 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>	
CI.11	Pricing and Charges – Adhere to Legislation 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.	4	<p>The Sewerage Scheme Rates for 2008/2009 were approved during the Koorda Council Budget Meeting held on 23rd July 2008 as evidenced in the minutes for that meeting.</p> <p>Prices and charges are listed for each class of customer.</p>	5
CI.17	Obligations to Other Licences Adhered to Wastewater treatment plants operated by the Licensee shall have relevant Licences from the Department of Environment and Conservation and be operated in compliance with those Licences.	4	<p>Sighted the letter from the Department of Environment and Conservation acknowledging the Shire's compliance with the requirements of the licence.</p>	5
CI.15(c)	Emergency Telephone Service Operational 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 people, the environment or property.	1	<p>The Customer Service Charter provides a section on emergency assistance. The Shire maintains a 24-hour emergency contact service for emergency events, such as an overflow from a sewer. During office hours, customers can contact the shire office. On the majority of occasions the telephone contact number will result in contact being made directly with a person authorised to attend to the problem. The after hours emergency service contact telephone numbers (office as well as mobile numbers) of Manager of Works and Chief Executive Officer are provided in the Charter.</p> <p>Telephone calls to the emergency numbers should be answered promptly and the customer is to be advised within one hour of the nature and timing of action to be taken.</p>	5

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (1,2 = non-compliant 3,4,5 = compliant refer 2.5)
Cl.15(d) Cl.15(e)	Customer Service Standards The Licensee shall maintain and operate its sewerage scheme so that sewerage does not overflow on Customers' properties. The Licensee shall maintain and operate its sewerage scheme so that sewer blockages are minimised.	1	In 2005/06 the Shire reported 10 sewerage overflows and 2 blockages; in 2006/07 and 2007/08 the Shire reported zero overflows and 4 blockages each period. The blockages occur mainly as a result of tree roots invading the pipe lines. This is being monitored by the Shire and the problem areas are cleared as required with a jet snake.	5
Cl.15(b)	Non-potable Water – Health Directions The Licensee shall provide annual notification to all Customers provided with non-potable water that the water supplied is not suitable for drinking.	1	No non-potable water in use.	N/A
Cl.16	Services by Agreement The Licensee may enter into agreements with Customers to provide Water Services. The Licensee may not enter into an agreement with a Customer that excludes, modifies or restricts the terms and conditions of the Licence without the prior written approval of the Authority.	4	The process of connecting to the Shire's services is outlined in the Shire's Customer Service Charter. Applications for wastewater service connections should be made at the Shire Office. These applications must be accompanied by the related building plans. The form to be filled out to apply for a wastewater services connection is contained in Appendix 2 of the Customer Service Charter. As per the Schedule 3 reports, the number of sewerage connections increased from 141 residential and 17 non-residential connections in 2006 to 149 residential and 32 non-residential connections in 2008. Audit confirmed through discussion with the Shire's EHO that no customer agreements are in place and that Shire did not enter into any agreement with a customer that excludes, modifies or restricts the terms and conditions of the Licence.	5
Cl.12(a)	Contractors Maintenance of Standards	1	All water services are provided in-house. The AMP stipulates roles and responsibilities for staff with respect to the ongoing	5

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (1,2 = non-compliant 3,4,5 = compliant refer 2.5)
	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.		operation of the Koorda Sewerage Scheme.	
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 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 (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>Where a dispute arises between a Customer and the</p>	4	<p>The Customer Service Charter outlines process in regards to enquiries, suggestions, complaints and disputes.</p> <p>The form to be filled out to submit a complaint, enquiry or suggestion to the Shire is contained in Appendix 1 of the Customer Service Charter.</p> <p>For the 12 month period to the 30 June 2008 four (4) sewerage system defect reports were received. However, these were not treated as written customer complaints, but reported as sewerage blockages to the Authority in the Annual Performance Report for 2007/08 period.</p> <p>No written customer complaints were reported to the Authority as per the Annual Performance Reports during the audit period.</p> <p>The completed Sewerage System Defect Reports are kept on the file, but no Complaints Register is in place to record details of customer complaints and their outcomes.</p> <p>The Shire's CEO is authorised to make necessary decisions to settle the customer complaints or disputes. The Shire's staff have been provided with complaints resolution training through the OHS courses.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ A Complaints Register to be developed and maintained by the Shire (and procedures documented). ▪ Each customer complaint received by the Shire and its 	3

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (1,2 = non-compliant 3,4,5 = compliant refer 2.5)
	<p>Licencee 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> <ul style="list-style-type: none"> (i) mediate the dispute; or (ii) direct the Licensee or Customer to binding arbitration. <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>The Licensee shall, on request, provide the Office of Water Policy with details of Complaints made and the names and addresses of Customers who have made Complaints.</p>		<p>outcome should be recorded in the Complaints Register in sufficient details in order to be able to ascertain:</p> <ul style="list-style-type: none"> o Date and time the complaint was received; o Name of the complainant; o Who received the complaint; o Method of complaint; o Details of the complaint; o Time from report of the complaint to action; o Details of the action taken; o Name of person authorising; and o Date/ time responded. <p><i>(Action Plan item 1.3)</i></p>	
CI.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>	3	<p>The Shire of Koorda Customer Service Charter was reviewed in June 2008 and approved by Authority on 30 June 2008.</p> <p>Sighted the Customer Service Charter and Authority's approval of the charter.</p>	4

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (1,2 = non-compliant 3,4,5 = compliant refer 2.5)
	<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> <p>(iii) should be drafted in 'plain English'; and</p> <p>(iv) should address all of the service issues that are reasonably likely to be of concern to its Customers.</p> <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> <p>The Licensee must make the Customer Service Charter available to its Customers in the following ways:</p> <p>(i) by prominently displaying it in those parts of the Licensee's offices to which Customers regularly have access;</p> <p>(ii) by providing a copy, upon request, and at no charge, to a Customer; and</p> <p>(iii) by advising Customers of the availability of</p>		<p>The Shire of Koorda first submitted their charter to the Authority for approval on 7th December 2007. The Shire of Koorda re-submitted the final version of the charter on 25th June 2008. The previous charter was approved by the Authority in April 2005. The audit found that the Shire of Koorda 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 Authority and not planned.</p> <p>Audit confirmed through sighting that the charter is prominently displayed at the Shire's reception, and through discussion with the Shire's EHO that the charter is provided upon request and at no charge to customers.</p> <p>The Shire's EHO advised that the Shire of Koorda advertise the notice advising availability of the Customer Service Charter in the local newspaper annually. However, no process is in place to ensure that the Customer Service Charter availability notification will be provided to the Shire's customers on an annual basis.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Increase accessibility of the Charter by making the Customer Charter available to customers on the website. ▪ 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 	

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (1,2 = non-compliant 3,4,5 = compliant refer 2.5)
	<p>the Customer Service Charter on an annual basis.</p> <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>Customer Service Charter on an annual basis.</p> <p><i>(Action Plan item 1.6)</i></p>	
Cl.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> <p>(i) hold a public meeting to obtain Customer views on the performance and operation of the scheme; or</p> <p>(ii) advertise for written submissions on the proposal.</p> <p>The Licensee shall allow Customers to raise matters of concern regarding the sewerage system at public question time in accordance with the <i>Local Government Act 1995</i>.</p>	4	<p>As stated in the Customer Service Charter, community involvement in the Shire's service planning and decision making processes will be sought through formal request for customer feedback and through information published in local newspaper. The Shire will notify customers of any system change that may result in significant change that may result in significant variation in its service levels.</p> <p>Audit confirmed that, on the basis of information provided, the Shire of Koorda generally complied with the minimum requirement in relation to public consultation, as demonstrated through the public consultation process that the Shire of Koorda undertook in relation to review of the customer service charter in December 2007.</p> <p>The Shire of Koorda placed an article in the local newspaper 'Council Corner' which sought public comment on the charter over a period of two weeks.</p> <p>There were no major changes to the operation of the water services during the audit period that would require public consultation.</p> <p>The Shire of Koorda allows its customers to raise matters of concern regarding the sewerage system at public question time during the Koorda Council meetings.</p>	5
Cl.21	Customer Survey	5	The Shire had not been requested to commission a survey by	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 (1,2 = non-compliant 3,4,5 = compliant refer 2.5)
	<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>		the Authority at the time of the audit.	
<p>Cl.14(a) Cl.14(b)</p>	<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>The Shire's Annual Performance Report for 2005/06 reported 10 sewerage overflows attributable to a blockage or failure in the licensee's infrastructure. However, as confirmed through discussion with the Shire's EHO, the Shire of Koorda did not report these overflows to the Authority within 5 days of occurrence.</p> <p>No sewerage overflows were reported to the Authority as per the Annual Performance Reports for 2006/07 and 2007/08 periods.</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
Cl.14(c)	Annual Performance Reporting	3	Confirmed that the licensee had produced reports as per the	2

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (1,2 = non-compliant 3,4,5 = compliant refer 2.5)
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>requirements of Schedule 3 of the licence for the 2005/06, 2006/07 and 2007/08 periods.</p> <p>Audit noted that although the Annual Performance Reports for 2006/07 and 2007/08 were submitted within the required time, on 13th July 2007 and 27th June 2008 respectively, the 2005/06 report was submitted to the Authority on 7th September 2006 and therefore not in compliance with the licence requirements. There is no system in place to ensure the timely submission of reports and the submission of reports is purely reactionary to the reminder received from the 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. The compliance schedule will also assist compliance with regulatory timeframes by the replacement staff if the Shire's EHO is not available due to leave or illness. ▪ Create documentation to explain where and how to source the required information; and file and keep copies of the source information together with a copy of the Schedule 3 Annual Performance Report to allow easier checking of the validity of the results. <p><i>(Action Plan item 1.2)</i></p>	
Cl.15(a)	<p>Compliance with Reporting Standards</p> <p>The Licensee shall comply with the quality and</p>	3	Audit examined the Annual Performance Reports (Schedule 3) for the 2005/06, 2006/07 and 2007/08 period and confirmed that	5

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (1,2 = non-compliant 3,4,5 = compliant refer 2.5)
	performance standards set out in Schedule 2.		the Shire did comply with the performance standards as set out in Schedule 2 of the licence.	

3.4 INTEGRITY OF PERFORMANCE REPORTING

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

Audit noted that although the Annual Performance Reports for 2006/07 and 2007/08 were submitted within the required time, on 13th July 2007 and 27th June 2008 respectively, the 2005/06 report was submitted to the Authority on 7th September 2006 and therefore not in compliance with the licence requirements. However, there was no system in place to ensure the timely submission of reports.

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 and 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 Koorda to improve the strength of its internal controls to maintain compliance with its performance reporting obligations are outlined in the Licensee Action Plan.

3.5 RECOMMENDED CHANGES TO THE LICENCE

No changes to the licence are considered necessary.

3.6 CONCLUSION

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

- Non-reporting of overflows to the Authority within 5 days of its occurrence (and incident reporting generally); and
- The 2005/06 performance report being 38 days late. Moreover, as the information for the annual performance reports come from a variety of sources, the performance reporting process needs to be formalised and documentation created to explain where and how to obtain the required information;
- The completed Sewerage System Defect Reports are kept on the file, but no Complaints Register is in place to record details of customer complaints and their outcomes; and
- The Shire of Koorda 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 also made a recommendation for improvement of incident reporting and the annual performance reporting, which is now partially completed. Other previous audit recommendations regarding maintenance scheduling and the Customer Charter have been completed.

The 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.

4. Asset Management Review

The effectiveness of the Shire's asset management system for the sewerage schemes was assessed using the AMS Effectiveness Matrix provided by the Authority in the Audit Guidelines.

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

- Asset planning;
- Asset creation/acquisition;
- Asset disposal;
- Environmental analysis;
- Risk management;
- Contingency planning;
- Asset management information system;
- Asset operations;
- Asset maintenance;
- Financial planning;
- Capital expenditure planning; and
- Review of the asset management system.

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

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

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

4.1 SUMMARY OF EFFECTIVENESS RATINGS

The audit assessment of the effectiveness ratings for each key process in the Shire's asset management system is shown in the table below.

ASSET MANAGEMENT SYSTEM		Not Performed	Performed Informally	Planned and tracked	Well defined	Quantitatively Controlled	Continuously Improving
Process	Effectiveness Rating	0	1	2	3	4	5
1. Asset planning							
2. Asset creation/ acquisition		N/A					
3. Asset disposal							
4. Environmental analysis							
5. Risk management							
6. Contingency planning							
7. Asset management information system							
8. Asset operations							
9. Asset maintenance							
10. Financial planning							
11. Capital expenditure planning							
12. Review of the asset management system							

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

4.2 PREVIOUS AUDIT RECOMMENDATIONS

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

Item No.	Recommendation	Action Taken	Status
1	<p>Asset Planning/Creation/Acquisition</p> <p>The existing AMP has not been updated. As a result, no provision has been made for any asset planning, creation and acquisition or how the strategic objectives for the wastewater treatment system may have changed.</p> <p>Currently there have been no breakdowns or complaints which would indicate that the level of service is adequate for the service required.</p> <p><i>Recommendation: The Asset Management Plan needs to be updated and forwarded onto the Authority for approval.</i></p>	<p>The Shire currently operates a simple computerised Asset Management System based on the standard suite of spreadsheets. The Shire's AMP was updated in January 2007 and forwarded onto the Authority for approval.</p>	Completed
2	<p>Environmental Analysis</p> <p>The operating environment is adequately understood, with the service delivery of a largely adequate standard. This is due to the lack of a current AMP, no risk assessment of all external factors affecting the system has been undertaken. As the system is simple and quite small, the main risk of failure is environmental rather than health and safety.</p> <p><i>Recommendation: Opportunities and threats need to be assessed and documented.</i></p>	<p>Appendix 5 "Risk and SWOT Analysis" of the Shire's Customer Service Charter outlines the risks, strengths and weaknesses, opportunities and threats in regards to the Koorda sewerage system.</p>	Completed
3	<p>Asset Management System Analysis</p> <p>Due to the AMP being out of date, this part of the asset management system is quite inadequate.</p> <p>There is no regular maintenance regimen followed. Maintenance is done on a reactive basis, not preventative basis. Due to the system being simple, small and over designed, it is quite robust. Also, a maintenance schedule</p>	<p>The Shire currently operates a simple computerised Asset Management System based on the standard suite of spreadsheets. The Shire's AMP was updated in January 2007.</p> <p>The Asset Register is an Excel spreadsheet for the main asset groups and includes construction dates and replacement values for all assets. All asset groups include</p>	Completed

Item No.	Recommendation	Action Taken	Status
	<p>and register should be developed and implemented.</p> <p>This is a small, simple system that requires minimal human input. It works well and is maintained appropriately as indicated by lack of complaints and failures. No regular preventative maintenance is conducted, only reactive. It is fortunate that the system is robust enough to not have suffered any failures.</p> <p>However, operational costs are covered in the annual budget.</p> <p><i>Recommendation: The Asset Management Plan must be updated, including the asset register, and a maintenance schedule and register must be prepared and implemented. The Maintenance Schedule should be developed in conjunction with the Works Manager to ensure that it is appropriate for the system.</i></p>	<p>the relevant construction materials, asset types and descriptions.</p> <p>Maintenance scheduling has been completed and is detailed in the Maintenance Management Excel spreadsheet.</p>	
4	<p>Risk Analysis and Contingency Planning</p> <p>No risk assessment and analysis has been conducted.</p> <p><i>Recommendation: Risk analysis and contingency planning of the wastewater treatment system should be undertaken as part of the AMP review.</i></p>	<p>The Risk Management Methodology is outlined in the AMP. The Risk Assessment Excel spreadsheet has been completed for water services operating licence risks and access chambers and gravity mains. However, the sewerage pump station and wastewater treatment plant risk assessment lacks assessment of the adequacy of controls and priority.</p> <p>The Appendix 5 “Risk and SWOT Analysis” also identified some risks such as plant malfunction, power failure, water failure of supply, and environmental risks of fire, earthquake and lightning, however there was no risk assessment done on those risks identified. There appears to be some inconsistency in risk assessment. For example, plant malfunction was identified as a risk in the Customer Service Charter, but the risk assessment in the Excel spreadsheet rated the inherent risk of wastewater treatment plant failure as low.</p> <p>Some other risk events have been also identified in the</p>	Partially Completed

Item No.	Recommendation	Action Taken	Status
		<p>Mitigation and Management Strategies section of the AMP.</p> <p>Overall, the risk assessment for asset management planning is very basic. Risk identification was outlined in three different places as outlined above and the risk identification is not consistent between documents. The Shire needs to revise its risk assessment and to consolidate the risks identified.</p> <p>There are basic contingency planning procedures outlined in the Risk Management section of the Asset Management Plan, but these are over-reliant on individual knowledge. More detailed contingency plans documenting the steps needed to deal with an unexpected failure of a system, process or procedure are recommended.</p> <p>Also, no assessment/testing of contingency plans is in place.</p> <p><i>The audit made a recommendation to improve the Shire's risk assessment and contingency planning and testing. (Action Plan item 2.2 and 2.3)</i></p>	
5	<p>Financial Planning</p> <p>The Annual Budget details the operations and maintenance income and expenditure, and the Plan of Principal Activities would detail the capital expenditure of any new sewerage works. There is also a 5 year projection of income and expenditure in the annual budget.</p> <p>An AMP should be prepared. This should include a Financial Plan.</p> <p><i>Recommendation: As part of the AMP review, the financial planning needs to be updated.</i></p>	<p>The Annual Capital Investment Budget Excel spreadsheet and the Annual Operations and Maintenance Budget Excel spreadsheet outline the financial objectives. The Annual budget process takes this and allocates resources to each activity. The maintenance and capital investment plans are being updated annually and are currently up to date.</p> <p>The Shire of Koorda Annual Budget 2008/09 provides detailed expenditure required for the scheme for the next 12 months including operations, maintenance, administration expenses, depreciation, system upgrades and transfer to reserves.</p> <p>The AMP also outlines the five year capital expenditure and five year operating expenditure plans for the sewerage scheme.</p>	Completed
6	Capital Expenditure Plan	The capital investment plans are being updated annually	Completed

Item No.	Recommendation	Action Taken	Status
	<p>As the AMP was not sighted, it was not possible to examine the capital expenditure planning against asset life and condition. As there is no Asset Register, it is not possible to adequately plan for future capital requirements. Thus, as part of an AMP, an asset register should be prepared.</p> <p>There is a Sewerage Reserve Fund, but it could do with being increased.</p> <p><i>Recommendation: As part of the AMP review, the capital expenditure planning needs to be updated. A review of existing asset life, capital replacement and asset acquisition needs to be undertaken to determine when future expenditure is likely to be required.</i></p>	<p>and are up to date.</p> <p>The life cycle costs have been budgeted for in the Annual Capital Investment Budget Excel spreadsheet and the Annual Operations and Maintenance Budget Excel spreadsheet. The capital investment strategy assumes replacing assets at the end of their effective life. This information is then being fed into the annual budget process.</p> <p>The Shire maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Koorda Sewerage Scheme.</p>	
7	<p>Review of Asset Management Plan</p> <p>The AMP should be prepared and submitted to the Authority for review. Customer Charter is slightly out of date. It was prepared in 2005 but the emergency contact names have not been changed.</p> <p><i>Recommendation: The AMP should be reviewed and updated as soon as possible.</i></p> <p><i>The AMP and Charter should be reviewed every 12 months at the same time as the annual budget, and updated as necessary. They should be updated within every 36 months, thus the Charter is due to be updated next year.</i></p>	<p>The AMP contains a section on Monitoring and Review Procedures that require the AMP to be reviewed five yearly and reissued when changes occur to the current system, processes and procedures. The maintenance and capital investment plans shall be revised annually.</p> <p>The review of Customer Service Charter every 36 months is considered to be sufficient and in accordance with the requirements of the licence.</p> <p><i>The audit made a recommendation for more frequent review of the Asset Management Plan and suggested improvements to the current monitoring and review practices. (Action Plan item 2.5)</i></p>	Partially Completed

4.3 AUDIT RESULTS AND RECOMMENDATIONS

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving - refer 2.6)
1	ASSET PLANNING		4
1.1	Have the strategic objectives for the assets been identified?	<p>The Shire of Koorda Asset Management Plan (AMP) does include the goal and objective of Shire of Koorda in providing the sewerage and re-use services as</p> <p><i>“to provide cost effective wastewater collection, treatment and disposal services for the town of Koorda, which meets community expectations for health and environmental management”.</i></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><i>“The Shire of Koorda 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.”</i></p> <p>Additionally, the levels of service and performance parameters have been defined in the AMP. Performance is measured in performance reports to the Authority.</p>	4
1.2	Have life cycle costs been considered?	<p>The life cycle costs have been budgeted for in the Annual Capital Investment Budget Excel spreadsheet and the Annual Operations and Maintenance Budget Excel spreadsheet.</p> <p>The Shire is in the process of building up sufficient reserves to ensure it can maintain and upgrade the sewerage scheme in the Koorda townsite when required. The Sewerage Reserve balance was \$268,748 as at 30 June 2008.</p>	4
1.3	Does the planning process and objectives reflect the needs of all stakeholders?	The Asset Management Plan includes sections on the Asset Environment and levels of service in detail.	4

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

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving - refer 2.6)
3.1	Are under-utilised and under-performing assets identified as part of a regular, systematic review process?	<p>A formalised system of asset condition appraisal has been instigated on an annual cycle for all assets. Assets in fair or poor condition are being inspected more frequently. The results of appraisal inspection are recorded in the Asset Condition and Performance Excel spreadsheet.</p> <p>The sewerage pump stations are being inspected annually and refurbished or replaced where defects or wear are detected. Performance monitoring against the pump curves is not currently possible on site. Workshop performance testing will be conducted where poor performance is suspected from the pump run hours and energy consumption records.</p> <p>Additionally, under-performing assets may be identified during routine preventative maintenance.</p>	4
3.2	Is there a replacement strategy?	<p>An asset renewal and replacement plan has been developed by replacing assets at the end of their effective life and is included in the Annual Capital Investment Budget Excel spreadsheet.</p> <p>The Shire maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Koorda Sewerage Scheme.</p>	4
3.3	Has an evaluation of disposal alternatives been completed?	According to the AMP, assets at the end of their life will be replaced with a similar capacity and the old asset dumped or recycled for scrap as appropriate.	3
3.4	Are damaged or missing assets written-off?	Damaged or missing assets would be written-off.	3
3.5	Is there a disposal plan?	The Asset Disposal Plan as outlined in the AMP states that no assets have been identified for disposal.	3
3.6	Are the reasons for under-utilisation or poor performance critically examined and corrective action taken to remedy	Annual asset condition appraisal and regular preventative maintenance identify assets that are underperforming. These are investigated and corrective action is taken to remedy to the situation, or they are disposed of.	4

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving - refer 2.6)
	the situation, or a disposal decision made?		
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. The Annual Performance Report is provided as per Schedule 3 to the Authority on an annual basis.	4
4.2	Are the asset system objectives documented?	Yes, the Asset Management Plan outlines the expectations of each of the system components.	4
4.3	Have opportunities and threats in the system environment been assessed?	Appendix 5 “Risk and SWOT Analysis” of the Shire’s Customer Service Charter outlines the risks, strengths and weaknesses, opportunities and threats in regards to the Koorda sewerage system.	4
4.4	Are regulatory obligations and statutory/regulatory requirements documented?	Yes, the Asset Management Plan identifies the following regulatory requirements: <ul style="list-style-type: none"> ▪ Water Services Licensing Act 1995; ▪ Local Government Act 1995; ▪ Environmental Protection Act 1986; ▪ Occupational Safety and Health Act 1984; and ▪ Occupational Safety and Health Regulations 1996. The AMP also requires compliance with the Department of Environment and Conservation Licence Number 5689 issued 29 th April 1996. 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 Koorda on 6 th August 2008. Audit recommends to: Update the Asset Management Plan in line with the requirements of the new operating	4

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving - refer 2.6)
		licence for the sewerage services issued to the Shire of Koorda on 6th August 2008. <i>(Action Plan item 2.1)</i>	
4.5	Does the asset meet the level of service required by users of the service?	Yes, the asset appears to be in keeping with Shire's statement on its commitment to service.	4
4.6	Do the assets meet regulatory requirements?	Compliance with the regulatory requirements is being monitored by the Shire's EHO and audited as required under the operating licence by the independent auditor.	4
5	RISK MANAGEMENT		2
5.1	Has a risk assessment of the asset been conducted?	<p>The Risk Management Methodology is outlined in the AMP. The Risk Assessment Excel spreadsheet has been completed for water services operating licence risks and access chambers and gravity mains. However, the sewerage pump station and wastewater treatment plant risk assessment lacks assessment of adequacy of controls and priority.</p> <p>The Appendix 5 "Risk and SWOT Analysis" of the Shire's Customer Service Charter also identified some risks such as plant malfunction, power failure, water failure of supply, and environmental risks of fire, earthquake and lightning, however there was no risk assessment done on those risks identified and there appear to be some inconsistency in risk assessment for example plant malfunction was identified as risk in the Customer Service Charter, but risk assessment in the Excel spreadsheet rated the inherent risk of wastewater treatment plant failure as low.</p> <p>Some other risk events have been also identified in the "Mitigation and Management Strategies" section of the AMP.</p> <p>Also, the Risk Assessment Excel spreadsheet needs to be updated in line with the new operating licence for the sewerage services issued to the Shire of Koorda on 6th August 2008.</p> <p>Overall, the risk assessment for asset management planning is very basic. Risk identification was outlined in three different places as outlined above and the risk</p>	2

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving - refer 2.6)
		<p>identification is not consistent with each other. The Shire needs to revise its risk assessment and to consolidate the risks identified.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Revise the risk assessment following the risk assessment methodology outlined in the AMP and in the Risk Assessment Excel spreadsheet, and consolidate the risks identified; and ▪ Update the Risk Assessment Excel spreadsheet in line with the new operating licence for the sewerage services issued to the Shire of Koorda 6th August 2008. (<i>Action Plan item 2.2</i>) 	
5.2	Has the probability and consequences of asset failure been identified?	<p>The probability and consequences of asset failure have been identified in the Risk Assessment Excel spreadsheet. The Customer Service Charter also identified some risks such as plant malfunction, power failure and environmental risks of fire, earthquake and lightning, however there was no risk assessment done on those risks identified and there appear to be some inconsistency in risk assessment for example plant malfunction was identified as risk in the Customer Service Charter, but risk assessment in the Excel spreadsheet assessed the inherent risk of wastewater treatment plant failure as low.</p> <p>Probability and consequences of some other risk events have been assessed in the "Mitigation and Management Strategies" section of the AMP.</p> <p>The revision of the risk assessment has been recommended in 5.1.</p>	2
5.3	Is risk management practiced?	The risk assessment for asset management planning is very basic. The revision of risk assessment has been recommended in 5.1.	2
5.4	Are risk control measures implemented for risks identified as unacceptable?	Some informal risk control measures are implemented but a formal risk assessment process is recommended as described in 5.1 to ensure control measures are adequate for risks identified as unacceptable.	2
6	CONTINGENCY PLANNING		1
6.1	Is there sufficient contingency planning	There are basic contingency plans and procedures outlined in the Risk Management	1

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving - refer 2.6)
	and backup?	<p>section of the Asset Management Plan, but these are over-reliant on individual knowledge. Contingency plans need to be clear enough for someone not directly involved in the day to day operations to be able to successfully action the plan.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ More detailed contingency plans documenting the steps needed to deal with an unexpected failure of a system, process or procedure are recommended. <p><i>(Action Plan item 2.3)</i></p>	
6.2	Is disaster recovery regularly tested?	<p>The contingency plans have not been tested.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ Contingency plans should be tested/assessed on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency. <p><i>(Action Plan item 2.3)</i></p>	0
6.3	Are appropriate contingency plans in place?	<p>Risk Mitigation and Management Strategies are outlined in the AMP; however these are very basic and over-reliant on individual knowledge.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Following the risk assessment, a set of contingency plans and emergency procedures should be developed by the Shire to cover situations identified in the risk assessment as being a major or significant risk. For example bushfire affecting ponds or reticulation equipment; reticulation pump or electrical failure; chlorinator failure; extreme rainfall events/water overflows from the ponds; pipeline burst or blockages etc.. ▪ The contingency plans should include: 	1

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving - refer 2.6)
		<ul style="list-style-type: none"> o Detailed procedures; o Key local contact details – name, number and location; o Communication protocols; o Specifications, location and availability of emergency equipment; and o Authorities that need to be contacted and when. <p><i>(Action Plan item 2.3)</i></p>	
6.4	Have contingency plans been developed for events that may result in severe consequences?	Basic plans have been developed for identified risk events but these require more detail as per 6.3.	1
7	ASSET MANAGEMENT INFORMATION SYSTEM		2
7.1	Is there adequate system documentation?	The Shire currently operates a simple computerised system based on the standard suite of Excel spreadsheets developed by GHD and provided by the Authority. The Shire's EHO attended a day training course on how to use the spreadsheets and has a copy of the course presentation on how to use the spreadsheets.	2
7.2	Do the input controls include appropriate verification and validation of data entered into the system?	At the Shire, the asset management system is managed without the aid of a specialised computerised system.	2
7.3	Are key computations documented and are they accurate?	Audit tested the accuracy of computations on a sample basis and confirmed the computations tested were accurate. Use of the spreadsheets is documented.	3
7.4	Do reports meet management requirements?	Apart from printing the Excel spreadsheets out, there is no ability to create management reports.	1
7.5	Are the logical security access controls such as passwords adequate?	The AMP and the accompanying Excel spreadsheets are saved on the server. There is password access to the Shire's system and the EHO's PC which restricts access to authorised Shire officers.	3

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving - refer 2.6)
		The electronic Asset Management Plan is backed up by the Shire of Koorda's IT network and when accessed by the Environmental Health Officer a copy is made to a thumb drive and laptop.	
7.6	Are there adequate physical security access controls?	The Shire offices are locked and alarmed outside of hours.	4
7.7	Are problems with the system tracked and are there management procedures for follow-up?	There is no formal tracking of the problems with the Excel spreadsheets. However, the Authority can be consulted in case the problem occurs.	1
7.8	Is the functionality of the AMIS adequate for the licensee's needs?	The functionality of the suite of Excel spreadsheets provided by the Authority to the Shires for asset management planning purposes appears to be adequate for the licensee's needs.	3
8	ASSET OPERATIONS		4
8.1	Are practices covering operating rules documented?	The Asset Management Plan includes an overview of the operations of the system. The manufacturers' operating instructions/manuals are kept and used by the plumber and maintenance staff.	3
8.2	Do operational practices reflect performance targets?	Yes, current operational processes appear to reflect performance targets.	4
8.3	Do operational plans relate to what is required to achieve the levels of service required of the system?	The manufacture's work instructions/manuals provide guidance only and are reliant on the knowledge and skills of the plumber and maintenance staff to maintain sufficient levels of service.	3
8.4	Are the asset system components documented?	The Shire currently operates a simple computerised system based on the standard suite of Excel spreadsheets. All the asset system components have been identified and documented in the Asset Register Excel spreadsheet. Physical parameters for the assets are recorded in the "As constructed" drawings. The AMP provides a summary description of each installation within the system.	3

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving - refer 2.6)
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; ▪ Description; ▪ Dimensions/ type; ▪ Construction materials/ model; ▪ Construction date; and ▪ Replacement Value <p>for access chambers, pipes, treatment plant, pump station and effluent re-use.</p> <p>The assets' location is documented on the maps.</p> <p>The condition assessment for other assets is outlined in the separate Asset Condition and Performance Excel spreadsheet.</p>	4
8.6	Is the asset's theoretical life known?	The assumed standard economic life of all sewerage scheme assets is identified in the Annual Capital Investment Budget Excel spreadsheet.	4
8.7	Are asset costs measured and recorded?	All assets expenditure is captured in the Shire's Financial Management Information System (FMIS).	3
8.8	Are actual assets and human resources appropriate for performance requirements?	<p>The Koorda wastewater scheme is a simple system, which requires a basic level of asset management to maintain it in an effective condition. The system is also relatively young and the assets are in good condition. The assets seem appropriate for the current levels of demand.</p> <p>The AMP outlines the current human resources required to support plan as follows:</p> <ul style="list-style-type: none"> ▪ Works Manager; ▪ Licensed Plumber; ▪ Works Supervisor; ▪ Gardener; ▪ Environmental Health Officer/Building Surveyor; and ▪ Administration Officer. <p>The audit noted that Mr Neil Flood and Mr Julian Goldacre are named as the Shire's</p>	3

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving - refer 2.6)
		<p>Environmental Health Officers/Building Surveyors in the AMP, however, Mr Neil Flood has since ceased employment with the Shire. The AMP needs to be updated for a change in the human resources supporting the Shire's sewerage system.</p> <p>The Shire currently operates a simple computerised system based on the standard suite of Excel spreadsheets.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> The AMP needs to be updated for a change in the human resources supporting the Shire's sewerage system. (Action Plan item 2.4) 	
9	ASSET MAINTENANCE		3
9.1	Are practices covering maintenance documented?	The Asset Management Plan includes a section on Maintenance Planning. This is effectively an overview of the maintenance practices.	2
9.2	Do maintenance plans cover preventative and corrective maintenance?	<p>A comprehensive Routine Maintenance Plan has been prepared and included in the Maintenance Management Plan Excel spreadsheet. A maintenance schedule specifies maintenance tasks to be carried out daily, weekly, monthly, two monthly, six monthly, yearly and five yearly. It provides a checklist of maintenance tasks but is reliant on the knowledge and ability of the person performing the maintenance to carry them out satisfactorily.</p> <p>The unforeseen maintenance tasking is instigated by a telephone call-out system to the Plumber or Works Supervisor, who attends the site, assesses the requirements and arranges the immediate and follow-up actions and activities.</p>	3
9.3	Do maintenance practices reflect performance targets?	<p>Maintenance is regularly performed on assets. Maintenance is carried out by the licenced plumber and qualified maintenance staff on a regular basis.</p> <p>The present CEO, acting as a Works Manager, has experience in the operation of the Shire, co-ordinating with the Works Supervisor for sewer operation. Water authority courses are attended when notified plus 'on the job' experience over many years under appropriate supervision. The Koorda sewerage scheme was built by the Shire of</p>	3

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving - refer 2.6)
		Koorda's Works Department and the sewer skills and knowledge has been handed down appropriately. The Shire now also has a qualified plumber to carry out plumbing works as required by the Shire.	
9.4	Is the level of maintenance justified against replacement costs?	No formal comparisons appear to have been made of maintenance against replacement costs.	0
9.5	Do maintenance plans relate to what is required to achieve the levels of service required of the system?	The maintenance tasks specified in the Maintenance Schedule relate to the levels of service required of the system.	3
10	FINANCIAL PLANNING		4
10.1	Does the financial plan provide projections of operating statements (profit and loss) and statement of financial position (balance sheets);	The Annual Budget document is completed for each financial year for the Shire which includes the sewerage system and actual/budget is monitored. Sighted the Shire of Koorda Adopted Budget for the year ended 30 June 2009.	4
10.2	Does the financial plan cover the financial objectives and strategies and actions to achieve the objectives?	The Annual Capital Investment Budget Excel spreadsheet and the Annual Operations and Maintenance Budget Excel spreadsheet outline the financial objectives. The Annual budget process takes this and allocates resources to each activity.	4
10.3	Does the financial plan identify the source of funds for the capital expenditure plan?	The Shire maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Koorda Sewerage Scheme.	4
10.4	Is the source of funds for operations, maintenance and administration identified in the financial plan?	The Shire has a specified area rating which is applied to all properties connected or capable of being connected to the sewerage scheme in the Koorda town site. The purpose of this rate is to offset the cost of the sewerage treatment, including operation, maintenance, administration, depreciation and loan repayments.	4
10.5	Does the financial plan provide firm predictions on income for the next five years and reasonable indicative	The AMP outlines the five year capital expenditure and five year operating expenditure for the sewerage scheme. An amount per annum of \$30,000 is the level of revenue presently placed to maintain the sewer assets. The sewerage rates are the main source	1

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving - refer 2.6)
	predictions beyond this period?	of sewerage scheme income. The Shire's financial plan does not specifically provide a prediction on income for the next five years, however, due to the stability of the income stream, this is not considered necessary.	
10.6	Does the financial plan provide for the operations and maintenance, administration and capital expenditure requirements of the scheme?	The Shire of Koorda Annual Budget 2008/09 provides detailed expenditure required for the scheme for the next 12 months including operations, maintenance, administration expenses, depreciation, system upgrades and transfer to reserves.	4
11	CAPITAL EXPENDITURE PLANNING		4
11.1	Has a capital expenditure plan been prepared?	The forecast lifecycle asset replacement program is included in the Annual Capital Investment Budget Excel spreadsheet.	4
11.2	Does the plan cover the issues to be addressed, the actions proposed, the centre of responsibilities, and deadline dates?	The analysis assumes that assets will be replaced at the end of their standard economic life.	4
11.3	Does the plan provide reasons for capital expenditure and timing of expenditure?	The analysis assumes that assets will be replaced at the end of their standard economic life.	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. A condition monitoring system has been instigated on an annual cycle for all assets. The general condition of assets has been assessed as "good".	4
12	REVIEW OF AMS		3
12.1	Is a review process in place to ensure that asset management plans are kept current?	The AMP contains a section on Monitoring and Review Procedures that requires the AMP to be reviewed five yearly and reissued when changes occur to the current system, processes and procedures. The maintenance and capital investment plans shall be	3

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving - refer 2.6)
		<p>revised annually.</p> <p>The audit noted that the requirement to notify any changes to the system to the Authority is not stated in the AMP's review procedures. This issue is already covered by the Recommendation 1.4.</p> <p>The back page of the AMP contains a "Document Status" table that outlines the revision number, the author, the reviewer, and who approved the AMP for issue and when. The table notes that the AMP was approved for issue on 31/01/07. There were no further revisions carried out. The users of the AMP could benefit from a brief description of changes to the document from the previous version.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Ensure the "Document Status" table is updated every time changes to the AMP occur and the AMP is reissued. ▪ Modify the "Document Status" table to include a brief description of changes to the document from the previous version. (<i>Action Plan item 2.5</i>) 	
12.2	Are asset management plans being reviewed at appropriate intervals?	<p>The Monitoring and Review Procedures in the AMP suggest review of the AMP in five yearly intervals and the maintenance and capital investment plans shall be revised annually.</p> <p>The "Document Status" table does not provide for recording details about routine reviews of the document that do not escalate into the reissue of the AMP.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ The Asset Management Plan should be reviewed in more frequent intervals i.e. annually and reissued when changes occur. The accompanying Excel spreadsheet should be updated during the year as required and revised annually. ▪ Keep track of all reviews of the Asset Management Plan. 	3

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving - refer 2.6)
		<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 AMP in line with the requirements of the new operating licence for the sewerage services issued to the Shire of Koorda on 6th August 2008. ○ The AMP needs to be updated for a change in the human resources supporting the Shire's sewerage system. <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> 	3

4.4 CONCLUSION

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

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

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

The previous Asset Management System (AMS) review recommendations regarding risk analysis and contingency plans and review of the AMS were partially completed. Other recommendations concerning asset planning/creation/acquisition, environmental analysis, asset management system analysis, financial planning and capital expenditure planning have been completed.

END OF REPORT