



Shire of Yilgarn

Audit Report

Operational Audit and Asset Management
Review - Water Services Licence

Final Report
30 April 2009

ABN 83 083 848 168 Liability limited by a scheme approved under Professional Services Legislation

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EXECUTIVE SUMMARY

INTRODUCTION

The Shire of Yilgarn (“the Shire”) has a licence from the Economic Regulation Authority (“the Authority”) to provide non-potable water services and sewerage services for the towns of Southern Cross (370km east of Perth) and Marvel Loch (38km south of Southern Cross).

The system at Southern Cross services approximately 344 properties including the hospital and caravan park. The Marvel Loch system services 108 properties. The two systems both utilise piped gravity collection of sewerage flows, which are piped to conventional oxidisation ponds.

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

- As reported in the previous audit in January 2006, the Shire does not hold a licence from the Department of Environment and Conservation to operate a wastewater treatment plant, although the Department is aware of the Shire’s request and is awaiting a formal application from the Shire.

Out of the seven issues raised in the previous audit review, two have been completed, three partially completed, and two have not yet been actioned. The following recommendations are outstanding:

- The Shire does not yet have a licence from the Department of Environment and Conservation for operating a wastewater treatment plant;
- An additional non-potable warning sign is recommended for the Shire oval;
- Records were unavailable of the contractor OHS checklists;
- Further consultation with Shire residents over the new wastewater treatment work; and
- A spreadsheet should be used to calculate the annual reporting and a system should be put in place to ensure the reports are submitted in time.

Other improvements to strengthen compliance were noted as follows:

- Install an additional warning sign at the main oval concerning the use of non-potable water and to provide an annual notification to customers;
- Undertake customer consultations in respect of the new system for waste water treatment;
- Locate the signed OHS checklist for the prime contractors;
- Develop a compliance checklist to ensure that regulatory timeframes, such as annual performance reporting are met; and
- Develop a spreadsheet and supporting documentation for the annual reporting.

Asset Management Review

The review of the asset management system concluded that the business processes are well-defined and adequate for the Shire's operations, with the exception of:

- Asset Operations need to be improved by documenting operating procedures for the plant and equipment; updating the Risk Register to show the treatment of risks and the priority of operations and maintenance tasks based on the risk assessment;
- The Risk Register should be updated with risk treatment plans for risks identified as having inadequate controls or unacceptable levels of risk;
- The basic contingency plans need to be more detailed and tested on at least an annual basis; and
- The Asset Management Plan (AMP) needs to be updated for changes over the past three years, including the Marvel Loch sewer system.

Other recommendations were made for improvements in respect of documenting service levels in the AMP and developing a commissioning test checklist for new assets.

From the ten issues raised in the previous audit review, six have been completed, two partially completed (risk treatment plans and detailed operational procedures) and two have not yet been actioned (detailed contingency plans and updating the AMP for changes in the sewer scheme assets).

SUMMARY OF ISSUES AND RECOMMENDATIONS

The following table provides a summary of the issues and recommendations for the operational audit and asset management review with management responses from the Shire of Yilgarn.

SIGN-OFF

We confirm that the 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>CI.15 (b) Non-Potable Water – Health Directions</p> <p>Warning signs have been erected around the park and oval, however the car entrance to the oval, which is a major thoroughfare, does not have a sign warning against drinking the treated water.</p>	3	The Shire to ensure that another sign is installed at the car entrance to the oval.	<p><i>Another sign will be installed at the car entrance to the oval.</i></p> <p>.</p>	<p><i>Manager EH&BS – June 2009.</i></p>
1.2	<p>CI. 6 Asset Management System</p> <p>The AMP contains a section on Monitoring and Review Procedures that requires the AMP to be reviewed five yearly and reissued when changes occur to the current system, processes and procedures. The maintenance and capital investment plans shall be revised annually. However, the audit noted that the requirement to notify any changes to the system to the Authority is not stated in the AMP's review procedures.</p> <p>The effectiveness of the Asset Management System is currently being audited and the final report will be provided to the Authority. However, we did not identify a process in place to ensure that the timeframes would be met. The implementation of the Asset Management System review was reactionary to a note sent by the Authority and not planned.</p>	4	<p>Update the 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 a compliance schedule with the Asset Management System review dates (and other regulatory requirements such as annual reporting) included as part of the schedule of events.</p> <p>Note the required timeframes for the notification of the asset management system changes to the Authority in the compliance schedule.</p>	<p><i>A schedule of times for when reports are to be forwarded to the ERA will be added to the Asset Management Plan, plus a spreadsheet of actions for the Mgr EH&BS will be called up by the officer's computer calendar, if possible, where these times are already recorded.</i></p>	<p><i>Manager EH&BS & Deputy CEO – 30th April, 2009.</i></p>

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
1.3	<p>Cl. 17 Obligations to Other Licences Adhered to</p> <p>Wastewater treatment plants operated by the Licensee shall have relevant Licences from the Department of Environment and Conservation and be operated in compliance with those Licences.</p> <p>The Shire does not have a licence from the Department of Environment and Conservation but is in the process of applying for one (and has been since 2006).</p>	2	<p>Obtain the licence for the wastewater treatment plant from the Department of Environment and Conservation as soon as possible.</p>	<p><i>An application for a licence will be forwarded to the Department of Environment and Conservation.</i></p>	<p><i>Manager EH&BS – prior to 30th June 2009.</i></p>
1.4	<p>Cl.18 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> <p>The first stage of an improved treatment system for the waste that will replace the existing ponds is nearing completion for Southern Cross. The remaining two stages will be implemented over the next three years.</p> <p>From discussions with the Shire, it was found that no specific customer consultations had been completed on the system at the time of the audit.</p> <p>However, the Shire Council meets on the third Friday of</p>	3	<p>The Shire should consider advertising for written submissions or conducting other public consultation in respect of the new system for waste water treatment to ensure that customers are fully-informed of the changes and can have an opportunity to raise any concerns about the proposed system.</p>	<p><i>Details on the new wastewater treatment system have been reported and discussed at the 2007 & 2008 Annual Elector's Meeting. A formal public consultation process has not taken place as the service to customers will not be affected in any way.</i></p> <p><i>Information regarding the new system will be included in the notice to ratepayers to go out with rate notices.</i></p>	<p><i>Manager EH&BS – July or August 2009.</i></p> <p><i>Manager EH&BS – July or August 2009.</i></p>

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
	each month. The meetings are open to the public and a 15-minute Public Question Time is scheduled at the beginning of each meeting, giving customers the opportunity to raise matters of concern regarding the sewerage system.				
1.5	<p>Cl.14(c), Sch 3 Annual Performance Reporting</p> <p>The Licensee shall report the information set out in Schedule 3. The reports are due within 30 days of the end of each financial year.</p> <p>The licensee had produced reports as per the requirements of schedule 3 of the licence for the 2005/2006, 2006/2007 2007/2008 financial years, however these were all submitted late.</p> <p>The information for the reports comes from a variety of sources; as follows:</p> <ul style="list-style-type: none"> ▪ The number of connections remains fairly constant and is calculated manually; ▪ Sewer mains length comes from the plans of the systems and measuring distances on a map; ▪ The volume is calculated by recording the number hours of pump operation multiplied by the pumps potential throughput; ▪ The Wastewater re-use is estimated by factoring the tank capacity and number of days of water usage; and ▪ Energy costs are calculated from the power accounts the Shire receives. <p>All calculations are performed manually.</p>	3	<p>The Shire should ensure that they provide their annual performance reports to the Authority within 30 days of the end of each financial year as per the requirement in the operating licence. This requirement should be included in a Compliance Checklist.</p> <p>A spreadsheet should be created to aid in the annual performance reporting process; documentation created to explain where and how to source the required information; and copies of the source information kept to allow easier checking of the validity of the results.</p>	<p><i>Reminders to complete the annual performance report as Schedule 3 will be made on the responsible officer's computer.</i></p> <p><i>A spreadsheet will be created stating where the relevant information for this return is found or calculated.</i></p>	<p><i>Manager EH&BS – reminders made on computer calendar completed on 6th April, 2009.</i></p> <p><i>Manager EH&BS – spreadsheet will be completed by 31st July, 2009.</i></p>
1.6	Cl.12(a) Contractors Maintenance of Standards	3	The contractor OHS checklists should be reviewed and signed by both primary	<i>All contractors will be</i>	<i>Manager EH&BS</i>

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
	<p>As noted in the previous audit, the current contractors should be asked to sign the Contractor Checklist kept in the Asset Management Plan for compliance with the Shire's OHS policy.</p> <p>The Shire advised these had been completed, however, the audit was unable to verify.</p>		contractors as soon as possible.	<i>asked to sign a current OSH Contractor Checklist, and copies will be attached to the Asset Management Plan.</i>	<i>Services – 30th April, 2009.</i>
2	Asset Management Review				
2.1	<p>Risk Management</p> <p>A Risk Register is in place, but does not include any risk treatment plans for risks where inadequate controls are listed.</p>	2	The Risk Register should be updated with risk treatment plans for risks identified as having inadequate controls or risks above acceptable tolerance levels.	<i>Updates to the Risk Register in the Asset Management Plan will be done.</i>	<i>Manager EH&BS - 30th June, 2009.</i>
2.2	<p>Contingency Plans</p> <p>Discussions with the Shire indicate that processes are in place to deal with most contingencies, however, these have yet to be formalised.</p> <p>There are basic contingency planning and procedures outlined in the Operational Planning 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>The contingency plans have not been tested.</p>	1	<p>Risks identified as medium or high risk should have greater detail in the contingency plan.</p> <p>The additional details needed 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 • Authorities that need to be contacted and when. <p>Contingency plans should be tested on at least an annual basis or whenever major changes are required to the plans.</p>	<p><i>Additional details as recommended will be added to the Asset Management Plan.</i></p> <p><i>Contingency plans will be tested as a table-top exercise by other members of staff to ensure that if the Manager EH&BS is not available that others know the steps to take to fix the problem.</i></p>	<p><i>Manager EH&BS – 30th June, 2009.</i></p> <p><i>Manager EH&BS, Manager Works, Deputy CEO, CEO – 30th June, 2009.</i></p>

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
2.3	<p>Asset Management Plan</p> <p>Plans have not been updated since prior to the previous audit. The Shire indicated that the Southern Cross plans are quite accurate, however only the proposed plans for Marvel Loch are on hand. The development of plans is still to be costed.</p>	2	<p>The Asset Management Plan needs to be updated for any changes between the actual installations and the original plans.</p> <p>In the future any deviations from the original specifications should be included in any plans of the assets.</p>	<p><i>Quotes to provide up-to-date plans for Marvel Loch sewer system will be sought for Council's Budget consideration. If the quote is accepted then this work will be carried out in the 2009/2010 financial year. If not accepted by Council in June 2009 then it will be raised in future Council Budget considerations.</i></p>	<p><i>Manager EH&BS – 30th May, 2009.</i></p>
2.4	<p>Operational Procedures</p> <p>The Asset Management Plan includes a section on Operational Planning. This forms an overview of the operations of the system only. There are no in-depth operational procedures on how to operate plant or machinery.</p>	2	<p>The Shire should document the operational procedures on how to operate the plant and machinery.</p>	<p><i>Operational procedures in the Asset Management Plan will be expanded to show more detail on how to operate the plant and machinery.</i></p>	<p><i>Manager EH&BS – 30th June 2009.</i></p>
2.5	<p>Service Levels</p> <p>Service levels from a customer perspective are clearly outlined in the customer charter. Levels of service for the waste water systems as a whole are to be defined in the AMP including current and desired levels of service. The current information is an example only and detailed information is still to be completed.</p>	2	<p>The Shire should update the AMP to include full details on the levels of service.</p>	<p><i>The Asset Management Plan will be updated to provide more details on the levels of service.</i></p>	<p><i>Manager EH&BS – 30th June, 2009.</i></p>

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
2.6	Commissioning Tests Commissioning tests for new/created assets are not documented in the Asset Management Plan.	1	A commissioning test checklist for new assets should be developed. The requirement for completing the checklist should be included in the AMP	<i>A commissioning test checklist for new assets will be developed and included in the Asset Management Plan.</i>	<i>Manager EH&BS – 30th December, 2009.</i>
2.7	Asset Operations There is no evidence of the link between risk management and the priority of operations tasks.	2	Update the Risk Register to show the treatment of risks including how they are applied to prioritise operations tasks.	<i>The Risk Register will be updated to include the treatment of risks and how they are applied to prioritise operations tasks.</i>	<i>Manager EH&BS – 30th December, 2009.</i>
2.8	Asset Maintenance There is no evidence of the link between risk management and maintenance planning.	2	Update the Risk Register to show the treatment of risks including how they are applied to prioritise the maintenance tasks.	<i>The Risk Register will be updated to show how the treatment of risk is used to prioritise the maintenance tasks.</i>	<i>Manager EH&BS – 30th December, 2009.</i>

1. BACKGROUND

The Shire of Yilgarn (“the Shire”) has a licence from the Economic Regulation Authority (“the Authority”) to provide non-potable water services and sewerage services for the towns of Southern Cross (370km east of Perth) and Marvel Loch (38km south of Southern Cross).

The system at Southern Cross services approximately 344 properties including the hospital and caravan park. The Marvel Loch system services 108 properties. The two systems both utilise piped gravity collection of sewerage flows, which are piped to conventional oxidisation ponds.

The Southern Cross scheme was established in 1983 and expanded in 1987 and 1999. The Marvel Loch scheme was established in 1994.

Effluent disposal is by a combination of evaporation from the ponds and irrigation of recreational areas. Whilst collected flows are of raw sewerage at Southern Cross, those from Marvel Loch are of settled effluent from septic tanks located on each property serviced.

The Shire is still in the process of implementing the first stage of a new sewerage treatment facility that will replace the existing oxidisation plants. With the help of its inventor, a Japanese Professor, the facility will be implemented in stages over the next three years. There have been some delays experienced in implementing the new system due to contractual and implementation issues. The completed facility when finished will consist of three large enclosed rectangular tanks that through the use of pumped air and fibre optic lighting accelerates the oxidisation process as the waste passes through a series of chambers within each tank. Every few years, the tanks require drying out and the resulting solids disposed of. The result of the new treatment plant should be clearer and cleaner water and less evaporation.

One of the mine sites near Marvel Loch has recently closed down resulting in a decrease in the current population of the town and consequently reduced demand on the sewerage system.

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

The Shire is still in the process of applying for a wastewater treatment licence from the Department of Environment and Conservation (formerly the Department of Environmental Protection).

The Shire engages local electricians and plumbers to service, repair and maintain electrical installations and the gravity collection and pumped delivery pipe systems. A specialist pumping company provides inspection, maintenance and repair services for the pumping installations in the systems.

General day-to-day inspection, operation and administration of the systems is provided by the Shire’s Manager, EH&BS.

Notwithstanding its contract with private contractors for operation of the sewerage services, the Shire of Yilgarn remains responsible for delivery of the services in accordance with the licence – under conditions imposed by clause 12(a).

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 from 1 December 2005 to 30 November 2008. The field audit visit was conducted on 16 March 2009.

2.3 LICENSEE'S REPRESENTATIVES PARTICIPATING IN THE AUDIT

- Wendy Dallywater – Manager, Environmental Health & Building Services (Manager EH&BS)
- Adam M. Seiler – Deputy Chief Executive Officer

2.4 KEY DOCUMENTS EXAMINED

- Shire of Yilgarn Operating Licence dated 30 November 2004
- Report on Operational Audit and Asset Management Review for the period November 2002 to November 2005
- Performance Reports to the Authority for 2006, 2007 and 2008
- Customer Service Charter
- Asset Management Plans for Southern Cross and Marvel Loch – prepared January 2007
- Shire of Yilgarn, Minutes – Ordinary Meeting of Council, 18 July 2008
- Shire of Yilgarn, Budget 2008-2009
- Shire of Yilgarn Plan for the Future of the District 2008 and Into the Future
- Shire of Yilgarn, Annual Report to the 30 June 2008
- Records of fault advice/ complaints
- Correspondence and Operations files as requested.

2.5 COMPLIANCE RATINGS

The Shire's compliance with the licence obligations was assessed using the following compliance ratings from the Authority's Audit Guidelines.

COMPLIANCE	RATING	DESCRIPTION
COMPLIANT	5	Compliant with no further action required to maintain compliance
COMPLIANT	4	Compliant apart from minor or immaterial recommendations to improve the strength of 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 from the Authority's Audit Guidelines.

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	Not performed (indicate if not applicable)

2.7 AUDIT TEAM AND HOURS

CONSULTANT	POSITION	HOURS
Geoff White	Director	8
Shane Gallagher	Manager	24
	Total	32

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 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 Table 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	2	C	N/A						
Asset Management System	Cl.6	2	C	Medium	Moderate				✓	
Adherence to Technical Standards	Cl.8	2	C	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	Weak		✓			
Emergency telephone service operational	Cl.15(c)	3	C	High	Strong					✓
Customer service standards	Cl.15(d)(e)	2	C	Medium	Strong					✓
Non potable water – health directions	Cl.15(b)	3	C	High	Moderate			✓		
Services by agreement	Cl.16	2	C	Medium	Strong					✓
Contractors maintenance of standards	Cl.12(a)	3	B	High	Moderate			✓		
CUSTOMER SERVICE										
Customer complaints	Cl.20	2	B	Medium	Strong					✓
Customer Charter	Cl.19	2	C	Medium	Strong					✓
Customer consultation	Cl.18	2	C	Medium	Moderate			✓		
PERFORMANCE MONITORING										
Customer survey	Cl.21	1	C	N/A						
Incident reporting	Cl.14(a)(b)	2	B	Medium	Moderate				✓	
Annual performance reporting	Cl.14(c), Sch.3	1	C	Medium	Moderate			✓		
Compliance with reporting standards	Cl.15(a), Sch 2	1	C	Low	Strong					✓
INDIVIDUAL STANDARDS	N/A									

3.2 PREVIOUS AUDIT RECOMMENDATIONS

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

Item No.	Recommendations	Action Taken	Status
1.1	<p>CI.17 Obligations to Other Licences Adhered to</p> <p>The Shire does not yet have a licence from the Department of Environment and Conservation for operating a wastewater treatment plant but is in the process of applying for one.</p> <p><i>Recommendation: The licence should be obtained as soon as possible.</i></p>	<p>This is still outstanding from the previous audit. The Department is aware of the Shire's request, but this has not been completed by the Shire yet. <i>(Action Plan item 1.3)</i></p>	Outstanding
1.2	<p>CI.15 (b) Non-Potable Water – Health directions</p> <p>Warning signs have been prepared but had not yet been erected and annual advice is not yet provided to residents, such as in the annual Shire calendar.</p> <p><i>Recommendation: Ensure the signs are installed as soon as possible and that the annual notice is included prominently in the calendar.</i></p>	<p>The signs have been erected, however an additional sign is still recommended. <i>(Action Plan Item 1.1)</i></p>	Partially Completed
1.3	<p>CI.12(a) Contractors Maintenance of Standards</p> <p>The current contractors should be asked to sign the Contractor Checklist kept in the Asset Management Plan for compliance with the Shire's OHS policy.</p> <p><i>Recommendation: The contractor OHS checklists be reviewed and signed by both primary contractors as soon as possible.</i></p>	<p>The Shire advised these had been completed, however, the audit was unable to verify. <i>(Action Plan item 1.6)</i></p>	Outstanding
1.4	<p>CI.19 Customer Charter</p> <p>The Customer Charter has not yet been reviewed every three years as required by the licence.</p> <p>The Shire notes the availability of the Charter in their annual report.</p> <p><i>Recommendations:</i></p> <ul style="list-style-type: none"> ▪ <i>The Customer Service Charter be reviewed and updated if necessary (required every 3 years); and</i> 	<p>The Customer Service Charter was updated in September 2008 and is now available on the website.</p>	Completed

Item No.	Recommendations	Action Taken	Status
	<ul style="list-style-type: none"> ▪ <i>The Shire increase accessibility of the Charter by making the Customer Charter available to customers on their website.</i> 		
1.5	<p>CI.18 Customer Consultation</p> <p>The Shire is in the process of implementing a new wastewater treatment work. We understand that there has not been any formal customer consultation regarding the changes.</p> <p><i>Recommendation: Consider advertising for written submissions or conducting other public consultation in respect of the new system for waste water treatment to ensure that customers are fully-informed of the changes and can have an opportunity to raise any concerns about the proposed system.</i></p>	<p>This has not been undertaken, although customers have had the opportunity to comment at Council meetings. Further customer consultation needs to be arranged. <i>(Action Plan item 1.4.</i></p>	Partially Completed
1.6	<p>CI.14(a) – Incident Reporting</p> <p>Two overflows occurred during the 2003/2004 period, these were reported in the annual reporting but not within five days of their occurrence as required by their licence.</p> <p><i>Recommendation: In future, any incidents of overflow be reported to the Authority within 5 days of their occurrence.</i></p>	<p>No further overflows have occurred during the audit period. Shire officers are aware of the reporting requirement.</p>	Completed
1.7	<p>CI14(c) – Annual Performance Reporting</p> <p>A report has not yet been completed for the 2004/2005 period. It was due at the end of July 2005.</p> <p><i>Recommendations:</i></p> <ul style="list-style-type: none"> ▪ <i>A spreadsheet is created to aid in the annual performance reporting process and that documentation is created to explain where and how to source the required information; and copies of the source information are kept to allow easier checking of the validity of the results; and</i> ▪ <i>The Shire should complete their 2004/2005 performance report immediately and in the future ensure that they provide their annual performance reports to the Authority within 30 days of the end of each financial year as per the requirement in the operating licence.</i> 	<p>Annual performance reports have been submitted since 2004/05. However, there is no system in place to ensure the reports are submitted on time.</p> <p>The suggested spreadsheet has not been implemented. <i>(Action Plan item 1.5)</i></p>	Partially Completed

3.3 AUDIT RESULTS AND RECOMMENDATIONS

Licence Ref.	Licence Obligation	Audit Priority (1=highest 5=lowest)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance rating (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 Yilgarn in the towns of Southern Cross and Marvel Loch. These were compared with the operating areas described in Schedule 1 of the Licence. All assets were found to be well within the specified operating areas.	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	Discussions with management indicated that the Shire has connected three new customers in the last two years one of which had been on a septic tank system. A new subdivision was to be created at the time of the previous audit near the Railway Hotel of approximately 28 lots. However, this is not going ahead, but instead a smaller subdivision of six lots has been created and the required infrastructure installed.	5
Cl.5	Adherence to Regulation The Licensee shall comply with Regulations prescribing standards of service made under section 61 of the Act.	N/A	No regulations had been published at the time of the audit.	N/A
Cl.6	Asset Management System (a) The Licensee is to – (i) provide for an asset management system in respect of the Licensee's Water Service Assets; (ii) notify details of the system and any changes to it to	4	The Shire's Asset Management Plan (AMP) was updated in January 2007. 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	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 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>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.</p> <p>Recommendations:</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 1.2</i>) 	
Cl.8	<p>Adherence to Technical Standards</p> <p>The Licensee is to comply with the technical standards for the provision of Water Services; and the undertaking, maintenance and operation of Water Services works; published by the Authority in the <i>Government Gazette</i>.</p>	N/A	No relevant technical standards had been published in the Government Gazette at the time of the audit.	N/A

Licence Ref.	Licence Obligation	Audit Priority (1=highest 5=lowest)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance rating (1,2 = non-compliant 3,4,5 = compliant refer 2.5)
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	All the current infrastructure in use was built prior to 1999, the Southern Cross system was established in 1983 and the Marvel Loch system in 1994.	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 Yilgarn prepares a comprehensive Annual Report for the whole of the Shire, which is independently audited by a certified auditor. Annual report for 2007/2008 sighted.</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>	5
CI.11	<p>Pricing and Charges – Adhere to Legislation</p> <p>In setting prices or charges for services to Customers the Licensee shall comply with the relevant provisions and regulations of the Health Act 1911 and the Local Government Act 1995.</p>	4	<p>The Sewerage Scheme Rates and Charges for 2007/2008 were approved in the Yilgarn Council Meeting held on the 18th of 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	<p>Obligations to Other Licences Adhered to</p> <p>Wastewater treatment plants operated by the Licensee shall have relevant Licences from the Department of Environment and Conservation and be operated in compliance with those Licences.</p>	4	<p>The Shire does not have a licence from the Department of Environment and Conservation but is in the process of applying for one (and has been since 2006).</p> <p>Recommendation: Obtain the licence for the wastewater treatment plant from the Department of Environment and Conservation as soon as possible. (Action Plan item 1.3)</p>	2
CI.15(c)	<p>Emergency Telephone Service Operational</p> <p>The Licensee shall implement an emergency telephone system so a Customer can report an emergency and receive advice within one hour of the action to be taken by the</p>	2	<p>An emergency telephone service is operated by the Shire.</p> <p>During office hours, customers can contact the Shire office. Out of hours, an answering machine gives the home number and mobile number of the Manager, EH&BS. These numbers</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)
	Licencee. An emergency is an event which causes, or threatens to cause, harm to people, the environment or property.		are also included in the Customer Charter provided to customers. The Manager, EH&BS acts immediately on receiving a call and responds as required.	
Cl.15(d), Cl.15(e)	<p>Customer Service Standards</p> <p>The Licensee shall maintain and operate its sewerage scheme so that sewerage does not overflow on Customers' properties.</p> <p>The Licensee shall maintain and operate its sewerage scheme so that sewer blockages are minimised.</p>	4	One overflow occurred prior to the last audit where sewerage overflowed onto a customer's property, action was taken to prevent this from re-occurring and there have not been any reported problems since.	5
Cl.15(b)	<p>Non-potable Water – Health Directions</p> <p>The Licensee shall provide annual notification to all customers provided with non-potable water that the water supplied is not suitable for drinking.</p>	2	<p>Warning signs have been installed at specific wastewater sites. The signs warn against drinking the treated water or swimming in the untreated sewerage ponds.</p> <p>The signs for the park and the oval include more specific warning messages including watering times and contact details for queries. The oval could still benefit from another sign at the second entrance.</p> <p>Annual written advice has not been provided to customers at this stage. However, the current licence issued in 2008 no longer includes this requirement.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ The Shire to ensure that another sign is installed at the car entrance to the oval. (<i>Action Plan Item 1.1</i>) 	3
Cl.16	<p>Services by Agreement</p> <p>The Licensee may enter into agreements with Customers to provide Water Services.</p> <p>The Licensee may not enter into an agreement with a Customer that excludes, modifies or restricts the terms and</p>	4	A standard agreement is used by the Shire. All customers use the same standard agreement. A copy is attached to the Customer Charter.	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)
	conditions of the Licence without the prior written approval of the Authority.			
Cl.12(a)	<p>Contractors Maintenance of Standards</p> <p>Notwithstanding the engagement of any person or persons to provide Water Services on its behalf, the Licensee remains responsible to ensure those services comply with the terms and conditions of the Licence and with the relevant legislation.</p>	2	<p>Two primary contractors are used for maintenance and repairs, the local plumber and electrician. The Occupational Health and Safety (OHS) manual in the Asset Management Plan includes a contractor checklist for compliance with the Shire's OHS policy. Audit was unable to sight the signed checklists.</p> <p>Recommendation:</p> <p>The contractor OHS checklists be reviewed and signed by both primary contractors as soon as possible. (Action Plan item 1.6)</p>	3
Cl.20	<p>Customer Complaints</p> <p>The Licensee shall establish a system for recording, managing and resolving within 21 days Complaints by Customers regarding a provided or requested water service, or for matters which must be considered by Council, within 7 days after the first ordinary Council meeting following the expiry of the 21 day period.</p> <p>To ensure the effectiveness of such a process the Licensee shall, as a minimum:</p> <p>(i) record details of each Customer Complaint and its outcome;</p> <p>(ii) provide an officer trained to deal with Customer Complaints who is authorised to, or has access to another officer who has the authority to, make the necessary decisions to settle Customer Complaints or disputes, and where applicable, make recommendations to Council as to the payment of monetary compensation; and</p>	3	<p>The Shire has a system for recording, managing and resolving complaints.</p> <p>A handwritten register is kept of complaints and incidents. It records:</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>The Manager, EH&BS is authorised to respond to customer complaints or incidents and authorise any emergency repairs or maintenance.</p> <p>The Complaint/ Incident Register was inspected, and sample testing confirmed that all complaints and incidents recorded in the register were dealt with in a timely matter.</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)
	(iii) make such arrangements as are necessary to ensure that if possible complaints can be resolved in the timeframes set out in subclause (a).			
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> <p>The Customer Service Charter must be submitted to the Authority for its approval by 1 December 1997. The Authority may require changes to be made to the charter.</p> <p>The Customer Service Charter:</p> <ul style="list-style-type: none"> (i) should be drafted in 'plain English'; and (ii) should address all of the service issues that are reasonably likely to be of concern to its Customers. <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> <ul style="list-style-type: none"> (i) by prominently displaying it in those parts of the Licensee's offices to which Customers regularly have access; 	3	<p>The Shire has a Customer Service Charter in place.</p> <p>The Shire's Customer Service Charter has been approved, and issued. The Charter is displayed and available from the front desk of the Shire office, on request by customers and also from the Shire's website.</p> <p>The Customer Service Charter was last reviewed and amended in September 2008.</p> <p>Availability of the Customer Service Charter is mentioned in the Shire's Annual Report.</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>(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 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>Cl.18</p>	<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>(iii) hold a public meeting to obtain Customer views on the performance and operation of the scheme; or</p> <p>(iv) advertise for written submissions on the proposal.</p> <p>The Licensee shall allow Customers to raise matters of concern regarding the sewerage system at public question time in accordance with the <i>Local Government Act 1995</i>.</p>	<p>3</p>	<p>The first stage of an improved treatment system for the waste that will replace the existing ponds is nearing completion for Southern Cross. The remaining two stages will be implemented over the next three years.</p> <p>It is expected that the new system will provide a superior filtration of the waste water and also result in less evaporation of the treated water that is then used as a non-potable source for the town.</p> <p>From discussions with the Shire, it was found that no specific customer consultations had been completed on the system at the time of the audit.</p> <p>The Shire Council meets on the third Friday of each month. The meetings are open to the public and a 15-minute Public Question Time is scheduled at the beginning of each meeting, giving customers the opportunity to raise matters of concern regarding the sewerage system.</p> <p>Recommendation:</p> <p>The Shire should consider advertising for written submissions or conducting other public consultation in respect of the new system for waste water treatment to ensure that customers are fully-informed of the changes and can have an opportunity to</p>	<p>3</p>

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)
			raise any concerns about the proposed system. (<i>Action Plan item 1.4</i>)	
Cl.21	<p>Customer Survey</p> <p>Where an issue arises that the Authority considers to be of concern to customers, the Authority may require the Licensee to commission an independent customer survey that shall address and conform to the conditions and parameters set out in writing by the Authority.</p> <p>Such a survey will not be required more frequently than once every 12 months.</p>	N/A	The Shire had not been requested to commission a survey by the Authority at the time of the audit.	N/A
Cl.14(a), Cl.14(b)	<p>Incident Reporting</p> <p>The Licensee shall inform the Authority of the occurrence of any of the following events within five days of their occurrence:</p> <ul style="list-style-type: none"> - overflows from wastewater/ sewerage infrastructure, including wastewater treatment plants, pumping stations etc. <p>The Authority may require a detailed report on these events to be provided within 14 days of the request.</p>	4	There were no reported incidents during the audit period. There is a Complaints/Incident Register and the Shire officers are aware of the need to report incidents to the Authority within 5 days.	4
Cl.14(c), Sch 3	<p>Annual Performance Reporting</p> <p>The Licensee shall report the information set out in Schedule 3. The reports are due within 30 days of the end of each financial year.</p>	5	<p>The Shire produced the annual performance reports for 2005/06, 2006/07 and 2007/08. However, there is no system in place to ensure the timely submission of reports and audit noted that the annual performance reports were not submitted within the required times, being 28 August 2006, 16 August 2007 and 4 August 2008 respectively.</p> <p>The information for the reports comes from a variety of sources; as follows:</p> <ul style="list-style-type: none"> ▪ The number of connections remains fairly constant and is 	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>calculated manually;</p> <ul style="list-style-type: none"> ▪ Sewer mains length comes from the plans of the systems and measuring distances on a map; ▪ The volume is calculated by recording the number hours of pump operation multiplied by the pumps potential throughput; and ▪ The Wastewater re-use is estimated by factoring the tank capacity and number of days of water usage; and ▪ Energy costs are calculated from the power accounts the Shire receives. <p>All calculations are performed manually.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ The Shire should ensure that they provide their annual performance reports to the Authority within 30 days of the end of each financial year as per the requirement in the operating licence. This requirement should be included in a Compliance Checklist. ▪ A spreadsheet should be created to aid in the annual performance reporting process; documentation created to explain where and how to source the required information; and copies of the source information kept to allow easier checking of the validity of the results. (<i>Action Plan item 1.5</i>) 	
Cl.15(a)	<p>Compliance with Reporting Standards</p> <p>The Licensee shall comply with the quality and performance standards set out in Schedule 2.</p>	5	<p>The reports for the 2005/2006, 2006/2007 and 2007/2008 periods complied with the performance standards as set out in Schedule 2.</p>	5

3.4 INTEGRITY OF PERFORMANCE REPORTING

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

The Shire produced the annual performance reports for 2005/06, 2006/07 and 2007/08. However there is no system in place to ensure the timely submission of reports and audit noted that the annual performance reports were not submitted within the required times, being 28 August 2006, 16 August 2007 and 4 August 2008 respectively.

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

This was recommended by the previous audit but has not been implemented yet. A further recommendation is included 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 Yilgarn has complied with the performance and quality standards of its Water Services Operating Licence during the audit period 1 December 2005 to 30 November 2008, apart from:

- As reported in the previous audit in January 2006, the Shire does not hold a licence from the Department of Environment and Conservation to operate a wastewater treatment plant, although the Department is aware of the Shire's request and is awaiting a formal application from the Shire.

Out of the seven issues raised in the previous audit review, two have been completed, three partially completed, and two have not yet been actioned. The following recommendations are outstanding:

- The Shire does not yet have a licence from the Department of Environment and Conservation for operating a wastewater treatment plant;
- An additional non-potable warning sign is recommended for the Shire oval;
- Records were unavailable of the contractor OHS checklists;
- Further consultation with Shire residents over the new wastewater treatment work; and
- A spreadsheet should be used to calculate the annual reporting and a system should be put in place to ensure the reports are submitted in time.

Other improvements to strengthen compliance were noted as follows:

- Install an additional warning sign at the main oval concerning the use of non-potable water and to provide an annual notification to customers;
- Undertake customer consultations in respect of the new system for waste water treatment;
- Locate the signed OHS checklist for the prime contractors;
- Develop a compliance checklist to ensure that regulatory timeframes, such as annual performance reporting are met; and
- Develop a spreadsheet and supporting documentation for the annual reporting.

4. ASSET MANAGEMENT REVIEW

The effectiveness of the Shire's asset management system for the sewerage schemes was assessed using the Asset Management System (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;
- Asset operations;
- Asset maintenance;
- Asset management information system;
- Risk management;
- Contingency planning;
- Financial planning;
- Capital expenditure planning; and
- Review of AMS.

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 and acquisition							
3) Asset disposal							
4) Environmental analysis							
5) Asset operations							
6) Asset maintenance							
7) Asset management information system							
8) Risk management							
9) Contingency planning							
10) Financial planning							
11) Capital expenditure planning							
12) Review of AMS							

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 Asset Management review report issued in January 2006 is summarised below.

Item No.	Recommendation	Action Taken	Status
2.1	<p>Asset Planning</p> <p>The Asset Management Plan (AMP) does not include any explicitly listed objectives.</p> <p>Audit recommends that the Asset Management Plan is updated to include realistic and detailed strategic objectives for the sewerage scheme assets along with solid performance indicators that can measure current achievement against those objectives.</p>	<p>The AMP now has outlined the goals, objectives, and defined levels of service for the system.</p>	Completed
2.2	<p>Asset Disposal</p> <p>There is no formal Asset Disposal Plan.</p> <p>Audit recommends that the Shire include a section on disposal in the Asset Management Plan. It could include:</p> <ul style="list-style-type: none"> ▪ A list, in priority order, of the assets identified for disposal; ▪ When the disposal will occur; ▪ Identification of any associated costs which may need to be incurred in order to dispose of assets; ▪ A quantification of the expected returns on sale; ▪ Detail on the amount of funds available from disposal for reinvestment in capital works; and ▪ Further information as required to meet annual reporting and budget forecasting requirements. 	<p>There is a schedule in the AMP, however no assets for disposal are listed for the next five years. Confirmed that the disposal information per the AMP will be provided if any asset disposals are planned.</p>	Completed
2.3	<p>Environmental Analysis</p> <p>No opportunities or threats have been separately identified in the Asset Management Plan as such.</p> <p>Audit recommends that opportunities and threats, such as population growth or decline should be identified and included in</p>	<p>Demand forecast and changes in technology are now listed.</p>	Completed

Item No.	Recommendation	Action Taken	Status
	the Asset Management Plan.		
2.4	<p>Risk Management</p> <p>A partial and informal risk assessment has been performed.</p> <p>Audit recommends that a more formal risk assessment approach is conducted. The approach need not be too complicated but should include the following steps:</p> <ul style="list-style-type: none"> ▪ Identify potential risks for the asset and its operations; ▪ Assess the likelihood of each risk as likely, possible or unlikely; ▪ Assess the consequences as minor, moderate or major; ▪ Calculate the risk as high, medium or low based on the likelihood and consequences of each risk; ▪ Identify the controls in place to mitigate the risks given their level and whether they are adequate; ▪ Identify and implement suitable actions to deal with inadequate controls; and ▪ Review risks on a regular basis for any changes and update accordingly. 	<p>A Risk Register is in place, but does not include any risk treatment plans for risks where inadequate controls are listed.</p> <p>Recommendation:</p> <p>The Risk Register should be updated with risk treatment plans for risks identified as having inadequate controls or risks above acceptable tolerance levels. <i>(Action Plan item 2.1)</i></p>	Partially Completed
2.5	<p>Contingency Plans</p> <p>There are basic contingency planning and procedures outlined in the Operational Planning 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>The contingency plans have not been tested.</p> <p>Audit recommends that:</p> <ul style="list-style-type: none"> ▪ The Shire first needs to perform the risk assessment outlined in 2.4, the risks identified as medium and high should then have greater detail in the contingency plan. 	<p>Discussions with the Shire indicate that processes are in place to deal with most contingencies, however, these have yet to be formalised. <i>(Action Plan item 2.2)</i></p>	Outstanding

Item No.	Recommendation	Action Taken	Status
	<ul style="list-style-type: none"> ▪ The additional detail needed includes: <ul style="list-style-type: none"> ○ Detailed procedures; ○ Key local contact details – name, number and location; ○ Communication protocols; ○ Specifications, location and availability of emergency equipment; and ○ Authorities that need to be contacted and when; and ▪ Contingency plans are tested on at least an annual basis or whenever major changes are required to the plans. 		
2.6	<p>Asset Management Plan</p> <p>Some plans were found to be inaccurate. This was a result of the final implementation differing from the initial plans.</p> <p>Audit recommends that:</p> <ul style="list-style-type: none"> ▪ The plans be updated for any changes between the actual installations and the original plans; and ▪ In the future any deviations from the original specifications should be included in any plans of the assets. 	<p>Plans have not been updated. The Shire indicated that the Southern Cross plans are quite accurate, however only the proposed plans for Marvel Loch are on hand. The development of plans is still to be costed. <i>(Action Plan item 2.3)</i></p>	Outstanding
2.7	<p>Asset Register</p> <p>The Asset Register requires more detail, it currently provides an overview only.</p> <p>Audit recommends that:</p> <ul style="list-style-type: none"> ▪ The Asset Register provide more detail of the components in the Pump Stations and Wastewater Treatment Plants; 	<p>The Asset Register has been updated with the location of assets.</p>	Completed

Item No.	Recommendation	Action Taken	Status
	<ul style="list-style-type: none"> ▪ The Asset Condition and Importance Levels have been ascertained for Marvel Loch but not for Southern Cross. The Asset Register should be updated to have these completed as well. <p>It would also be of benefit to include the location in GPS coordinates of key parts of the mains such as manholes, junctions and valves for future reference.</p>		
2.8	<p>Operational Plans and Procedures</p> <p>The Asset Management Plan includes a section on Operational Planning. This forms an overview of the operations of the system only. There are no in-depth operational procedures on how to operate plant or machinery.</p> <p>Audit recommends that operational procedures on how to operate the plant and machinery are developed.</p>	<p>There is some information in the AMP, but the detailed operational procedures are still to come. <i>(Action Plan item 2.4)</i></p>	Partially Completed
2.9	<p>Capital Expenditure Plan</p> <p>The Capital Expenditure Plan in the Shire's Principal Activities plan document is quite succinct. It includes the following:</p> <ul style="list-style-type: none"> ▪ A brief description of the need for the Sewerage Scheme Reserve; ▪ The objective of the Reserve; ▪ The performance measure; ▪ The source of the funding; ▪ A schedule of expenditure and reserve transfers; and ▪ A note on the target size of the reserve. <p>Audit recommends that the Capital Expenditure Plan include some more explanatory detail on the timing and justification on why the expenditure is required and the adequacy of the reserve for future needs.</p>	<p>A Capital Expenditure Plan has been completed and is reflected in the current budget and Shire of Yilgarn Plan for the Future of the District 2008 and Into the Future.</p>	Completed
2.10	<p>Review of Asset Management Plan</p> <p>There is currently no evidence of a formal process in place to</p>	<p>The AMP now includes information on the review process and frequency.</p>	Completed

Item No.	Recommendation	Action Taken	Status
	<p>ensure that the Asset Management Plan is kept up to date. The plans were recently been updated by SMEC in May 2005, the previous version was dated December 1999.</p> <p>Audit recommends that the Asset Management Plan is updated to include a section on the review process, when it occurs and what it is required to ensure the process is completed adequately.</p>		

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	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	The Asset Management Plan (AMP) includes sections on the Asset Environment and levels of service in detail.	4
1.2	Service levels are defined.	Service levels are clearly outlined in the customer charter. Levels of Service are defined in the AMP including current and desired levels of service, however, detailed information is still to be completed. <i>Detailed levels of service in the AMP need to be completed. (Action Plan Item 2.5)</i>	2
1.3	Non-asset options (e.g. demand management) are considered.	The need for new assets has been assessed. A new waste treatment facility is currently being implemented in three stages over the next two to three years. Non-asset alternatives were not appropriate in this case.	4
1.4	Lifecycle costs of owning and operating assets are assessed.	The AMP and Shire of Yilgarn Plan for the Future of the District 2008 and Into the Future both include projected capital spending and required reserve transfers for the next four years. The Asset Register includes the expected life of major asset types such as pipes and pump stations. The Shire is in the process of building up sufficient Capital Works reserves to ensure it can replace major assets when they are required.	4
1.5	Funding options are evaluated.	The AMP states that operations, maintenance and administration are funded by sewerage rates, and that they are calculated and reviewed annually.	4
1.6	Costs are justified and cost drivers identified.	Discussions with the management reveal that actual costs are as expected for the current project. All costs are checked, allocated and justified. For example, quotes for	4

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		new pumps go to council for approval.	
1.7	Likelihood and consequences of asset failure are predicted.	The risk management section of the AMP includes the likelihood and consequences of asset failure for all assets listed in the asset register.	4
1.8	Plans are regularly reviewed and updated.	The AMP includes a section on reviewing the AMP. It clearly identifies what needs to be reviewed and when. It also includes sections on monitoring and improvement.	4
2	ASSET CREATION & ACQUISITION		3
2.1	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	The need for new assets has been determined. A new waste treatment facility is currently being implemented in three stages over the next two to three years. Non-asset alternatives were not appropriate in this case.	4
2.2	Evaluations include all life-cycle costs.	The AMP includes a section on Asset Creation and Acquisition. The plan follows the current Government Procurement guidelines as the main guide for asset creation and acquisition.	4
2.3	Projects reflect sound engineering and business decisions.	The current project that the Shire is undertaking to replace the Southern Cross oxidation ponds with a more efficient tank treatment system is expected to have the dual benefits of clearer treated water and much lower evaporation than the current pond system. The current project is delayed due to a number of factors, including technical and contracting issues.	3
2.4	Commissioning tests are documented and completed.	There is currently no process in place to ensure commissioning tests are documented and completed. Recommendation: A commissioning test checklist for new assets should be developed. The requirement for completing the checklist should be included in the AMP (<i>Action Plan item 2.6</i>).	1

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2.5	Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	All responsibility for day-to-day obligations is with the Manager EH&BS. Legislative requirements are outlined in the AMP.	3
3	ASSET DISPOSAL		4
3.1	Under-utilised and under-performing assets are identified as part of a regular systematic review process.	Regular preventative maintenance identifies assets that are underperforming. Asset performance was ascertained recently for the current Asset Management Plan dated January 2007.	5
3.2	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	Regular preventative maintenance identifies assets that are underperforming; these are investigated and actioned where possible by the Manager, EH&BS.	4
3.3	Disposal alternatives are evaluated.	Alternatives are evaluated as necessary.	3
3.4	There is a replacement strategy for assets.	The Shire has established Reserve Funds to allow for asset replacement when it becomes necessary. The reserves are noted in the Shire's Annual Report. The Shire of Yilgarn Plan for the Future of the District 2008 and Into the Future includes further details on the Sewerage Upgrade Reserve and replacement of the sewerage pumps and installation of an alert system.	4
4	ENVIRONMENTAL ANALYSIS		4
4.1	Opportunities and threats in the system environment are assessed.	Opportunities and threats have been separately identified in the Asset Management Plan in the section under levels of service and management.	4
4.2	Performance standards (availability of service, capacity, continuity, emergency response, etc) are	The following levels of service are documented in the Asset Management Plan: <ul style="list-style-type: none"> ▪ Availability of service; 	4

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	measured and achieved.	<ul style="list-style-type: none"> ▪ Capacity – Reticulation Sewers; ▪ Capacity – Headworks; ▪ Continuity; ▪ Odours; and ▪ Emergency Response. 	
4.3	Compliance with statutory and regulatory requirements.	<p>The Asset Management Plan identifies the following regulatory requirements:</p> <ul style="list-style-type: none"> ▪ Economic Regulation Authority Requirements; ▪ Environmental Protection Authority Requirements; ▪ Department of Environment and Conservation; ▪ Occupational Health, Safety & Welfare Act Requirements; ▪ Health Act Requirements; and ▪ Local Government Act Requirements. <p>The Shire is still in the process of applying for a Department of Environment and Conservation licence. <i>(Action Plan item 1.3)</i></p>	3
4.4	Achievement of customer service levels.	Yes, the asset appears to be in keeping with the Shire's statement on its commitment to service. The Shire has met its Schedule 2 reporting requirements.	4
5	ASSET OPERATIONS		2
5.1	Operational policies and procedures are documented and linked to service levels required.	<p>The Asset Management Plan includes a section on Operational Planning. This forms an overview of the operations of the system only. There are no in-depth operational procedures on how to operate plant or machinery.</p> <p>As the operational plans cover an overview only, they provide guidance only and are reliant on the knowledge and skills of contractors employed to maintain sufficient levels of service. More prescriptive information is required of operations than there is currently.</p>	2

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		<p>Recommendation:</p> <p>Operational procedures on how to operate the plant and machinery need to be developed. (<i>Action Plan item 1.6</i>)</p>	
5.2	Risk management is applied to prioritise operations tasks.	<p>It was not clear from the draft AMP or draft Risk Management Plan if the risk assessment is applied to prioritise operational tasks.</p> <p>Recommendation:</p> <p>Update the Risk Register to show the treatment of risks including how they are applied to prioritise operations tasks. (<i>Action Plan Item 2.7</i>)</p>	2
5.3	Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and accounting data.	<p>The current Asset Register includes details on:</p> <ul style="list-style-type: none"> ▪ Asset Number; ▪ Description; ▪ Length; ▪ Year Constructed; ▪ Estimated Replacement Cost; ▪ Assumed Economic Life; ▪ Estimated Replacement Year; ▪ Condition; and ▪ Importance Level. <p>The register has been improved to provide more detail of the components in the Pump Stations and Wastewater Treatment Plants and the Asset Condition and Importance Levels have been ascertained for Marvel Loch and Southern Cross.</p>	4
5.4	Operational costs are measured and monitored.	Operational costs are included in the budget, and split between Southern Cross, Marvel Loch and the reserve. Funds are also allocated to get the new system up and running.	4
5.5	Staff receive training commensurate with their responsibilities.	Discussions with the Manager EHO&BS indicate that appropriate training is given to Shire staff, although their involvement in the operation and maintenance of the system is	3

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		limited given the use of external contractors for plumbing and electrical services.	
6	ASSET MAINTENANCE		4
6.1	Maintenance policies and procedures are documented and linked to service levels required.	The Asset Management Plan includes a section on Maintenance Planning. This is effectively an overview of the maintenance practices. Maintenance plans state what is required to achieve the levels of service required of the system.	3
6.2	Regular inspections are undertaken of asset performance and condition.	Key assets such as pump stations and wastewater treatment plants are regularly inspected and preventative maintenance performed.	4
6.3	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	The maintenance plans do cover preventative and corrective maintenance, but only as an overview. A maintenance schedule has been prepared and is an Appendix to the Asset Management Plan. This 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, this is not considered an issue as only appropriately qualified tradespeople are used. Maintenance is regularly performed on assets. Maintenance is carried out by qualified contractors on a regular basis.	4
6.4	Failures are analysed and operational/maintenance plans adjusted where necessary.	Regular maintenance is performed by contractors and any problems or suggestions are forwarded to the Manager, EH&BS.	5
6.5	Risk management is applied to prioritise maintenance tasks.	It was not clear from the draft AMP or draft Risk Management Plan if the risk assessment is applied to prioritise maintenance tasks. Recommendation: The Risk Register should show the treatment of risks including how they are applied to prioritise the maintenance tasks. (Action Plan Item 2.8)	2

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6.6	Maintenance costs are measured and monitored.	All maintenance tasks are logged against each job, and all costs go back to the budget.	4
7	ASSET MANAGEMENT INFORMATION SYSTEM		3
7.1	Adequate system documentation for users and IT operators.	The Shire operates a simple computerised system based on the standard suite of Excel spreadsheets developed by GHD and provided by the Authority. The Shire's Manager EHO&BS attended a one day training course on how to use the spreadsheets. Apart from a copy of the course presentation on how to use the spreadsheets, no other system documentation has been provided to the Shires.	3
7.2	Input controls include appropriate verification and validation of data entered into the system.	Excel spreadsheets are used, but there are no input controls that check the input of data. The results are reviewed for reasonableness – considered adequate.	2
7.3	Logical security access controls appear adequate, such as passwords.	The AMP and the accompanying Excel spreadsheets are saved on the server. Passwords restrict access to the network and the Manager EHO&BS's PC.	3
7.4	Physical security access controls appear adequate.	The Shire offices are locked and alarmed outside of hours.	4
7.5	Data backup procedures appear adequate.	The Excel spreadsheets are stored on the Shire's server which is regularly backed up to tape.	3
7.6	Key computations related to licensee performance reporting are materially accurate.	Some Excel spreadsheets contain formulas. Audit tested the accuracy of computations on a sample basis and confirmed the computations tested were accurate.	4
7.7	Management reports appear adequate for the licensee to monitor licence	Reports are prepared manually as required by the Manager, EHO&BS. Apart from printing the Excel spreadsheets out, there is no ability to create management reports.	3

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	obligations.		
8	RISK MANAGEMENT		2
8.1	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	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, gravity mains, Rising Mains/ Pressure Mains, Sewerage Pump Station, Wastewater Treatment Plant and effluent re-use.	4
8.2	Risks are documented in a risk register and treatment plans are actioned and monitored.	<p>A risk assessment has been performed based on the methodology in the AMP, that currently:</p> <ul style="list-style-type: none"> ▪ Identifies potential risks for the asset and its operations; ▪ Assesses the likelihood of each risk as likely, possible or unlikely; ▪ Assesses the consequences as minor, moderate or major; ▪ Calculates the risk as high, medium or low based on the likelihood and consequences of each risk; and ▪ Identifies the controls in place to mitigate the risks given their level and whether they are adequate. <p>However there does not appear to be documented evidence that suitable actions have been implemented to deal with inadequate controls.</p> <p>Recommendation: The Risk Register should be updated with risk treatment plans for risks identified as having inadequate controls or risks above acceptable tolerance levels. (Action Plan item 2.1)</p>	2
8.3	The probability and consequences of asset failure are regularly assessed.	The probability and consequences of asset failure have been identified in the Risk Assessment excel spreadsheet. Probability and consequences of some other risk events such as earthquake or power failure have not been included.	2

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9	CONTINGENCY PLANNING		1
9.1	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	<p>There are basic contingency planning procedures outlined in the Operational Planning 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. There is also no evidence of testing of the plans.</p> <p>Recommendation: Risks identified as medium or high risk should have greater detail in the contingency plan. The additional details needed 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 • Authorities that need to be contacted and when. <p>Contingency plans should be tested on at least an annual basis or whenever major changes are required to the plans. (<i>Action Plan item 2.2</i>)</p>	1
10	FINANCIAL PLANNING		4
10.1	The financial plan states the financial objectives and strategies and actions to achieve the objectives.	The Shire's Plan for the future of the district looks at the Shire's direction for the next 5 to 10 years. The annual budget process allocates resources to each activity based on this Plan.	4
10.2	The financial plan identifies the source of funds for capital expenditure and recurrent costs.	The Plan for the future of the district identifies the source of funding for the Sewerage Upgrade Reserve as through General Revenue.	4

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10.3	The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	An Annual Budget document is completed for each financial year, including the sewerage system. Actual to budget is monitored.	4
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	The Plan for the future of the district covers operations from 2008/2009 to 2011/2012. This identifies expected capital expenditure and transfers to the Sewerage Upgrade Reserve.	3
10.5	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	The Principal Activities Plan is only concerned with capital expenditure.	3
10.6	Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.	The Shire of Yilgarn Annual Budget 2008/09 states the detailed expenditure required or the scheme for the next 12 months including operations, maintenance, administration expenses, depreciation, system upgrades and transfer to reserves. Budget/actual expenditure against each cost centre is monitored on an ongoing basis with appropriate limit approvals in place. Income is derived from Shire rates.	4
11	CAPITAL EXPENDITURE PLANNING		4
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	<p>The Capital Expenditure Plan in the Shire of Yilgarn Plan for the Future of the District 2008 and Into the Future is quite succinct. It includes the following:</p> <ul style="list-style-type: none"> ▪ A brief description of the need for the Sewerage Scheme Reserve; ▪ The objective of the Reserve; ▪ The performance measure; ▪ The source of the funding; ▪ A schedule of expenditure and reserve transfers; and ▪ A note on the target size of the reserve. 	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)
		More details on long term capital needs are in the capital investment section of the Waste Water Assets Management System.	
11.2	The plan provide reasons for capital expenditure and timing of expenditure.	No detailed reasons are given for capital expenditure in the Capital Expenditure Plan, although the two items listed in the expenditure schedule "Replacement of Ageing Pumps" and "Pump Station Alert System" are fairly self explanatory. The schedule shows the timing of the expenditure up to the end of the 2008/2009 financial year.	3
11.3	The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.	The Capital Expenditure plan is consistent with the estimated replacement year for major assets. The Southern Cross Asset Register shows two of the three pump stations replaced in 2008, and the capital expenditure plan had these scheduled in 2006/2007 and 2007/2008.	4
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	The AMP states that the capital investment plans are to be revised annually.	3
12	REVIEW OF AMS		4
12.1	A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.	The asset management plan states it is to be reviewed every five years. The maintenance and capital investment plans are to be revised annually. Evidence was sighted to confirm this process is being followed.	4
12.2	Independent reviews (e.g. internal audit) are performed of the asset management system.	An independent review of the AMS is performed every 3 years as part of the water licence audit for the Authority. This is noted in the AMP.	4

4.4 CONCLUSION

The review of the asset management system concluded that the business processes are well-defined and adequate for the Shire's operations, with the exception of:

- Asset Operations need to be improved by documenting operating procedures for the plant and equipment; updating the Risk Register to show the treatment of risks and the priority of operations and maintenance tasks based on the risk assessment;
- The Risk Register should be updated with risk treatment plans for risks identified as having inadequate controls or unacceptable levels of risk;
- The basic contingency plans need to be more detailed and tested on at least an annual basis; and
- The Asset Management Plan (AMP) needs to be updated for changes over the past three years, including the Marvel Loch sewer system.

Other recommendations were made for improvements in respect of documenting service levels in the AMP and developing a commissioning test checklist for new assets.

From the ten issues raised in the previous audit review, six have been completed, two partially completed (risk treatment plans and detailed operational procedures) and two have not yet been actioned (detailed contingency plans and updating the AMP for changes in the sewer scheme assets).

END OF REPORT