



Shire of Victoria Plains

Audit Report

Water Licence Operational Audit and Asset Management Review

Final Report
19 May 2009

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

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TABLE OF CONTENTS

Executive Summary	2
INTRODUCTION.....	2
CONCLUSION	2
SIGN-OFF	3
LICENSEE ACTION PLAN	4
1. Background.....	12
2. Audit Approach	13
2.1 OBJECTIVES AND SCOPE	13
2.2 AUDIT PERIOD AND TIMING	13
2.3 LICENSEE’S REPRESENTATIVES PARTICIPATING IN THE AUDIT.....	13
2.4 KEY DOCUMENTS EXAMINED	14
2.5 COMPLIANCE RATINGS	14
2.6 EFFECTIVENESS RATINGS	15
2.7 AUDIT TEAM AND HOURS.....	15
3. Operational Audit.....	16
3.1 SUMMARY OF COMPLIANCE RATINGS	16
3.2 PREVIOUS AUDIT RECOMMENDATIONS	17
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	34
4.4 CONCLUSION.....	51

Executive Summary

INTRODUCTION

The Shire of Victoria Plains (“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 townships of Yerecoin and Calingiri.

The Shire of Victoria Plains operates two sewerage schemes, located in the townships of Calingiri and Yerecoin, established in 1981 and 1983 respectively as part of the State Government’s Shire Subsidy Scheme. Both schemes are gravity driven septic tank effluent disposal systems. Collectively the schemes consist of approximately 2,770 metres of sewerage reticulation mains with 3 oxidation ponds serving 88 residential and 9 non-residential properties. Treated effluent is discharged into a seasonal creek system in each town.

This audit comprised an Operational Audit of the Shire’s compliance with the licence conditions and a review of the Asset Management System (AMS).

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 Victoria Plains 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:

- The 2005/06 performance report being 43 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 Customer Service Charter was not being prominently displayed at the Shire’s reception and the audit was unable to establish that the Shire is advising customers of the availability of the charter on an annual basis; and
- The Shire 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 regarding the Customer Service Charter display and notification to customers which was partially 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 respect of asset planning, disposal, operations, maintenance and environmental analysis. Other processes in respect of risk management, contingency planning, financial and capital expenditure planning and review of the asset management system need further development. Specifically:

- A more formal risk assessment needs to be conducted;
- Contingency plans and emergency procedures need to be developed and tested on an annual basis;
- The Asset Management Plan and the Asset Registers need to be updated to reflect the extension of the Calingiri Sewer main to Kurrali Street/Chitty Avenue in 2004/2005 and for a current assessment of the assets' condition and performance;
- The Financial Planning section of the Asset Management Plan needs to be updated to show the current source of funds for capital expenditure, prediction of income for the next five years and the expenditure allocations for operations and maintenance, administration and capital expenditure;
- The Capital Works Schedule in the Asset Management Plan needs to be updated for the next five years taking into account the asset life and condition identified in the Asset Management Plan; and
- Improvement of the Asset Management Plan monitoring and review practices and updating several areas of the Asset Management Plan as identified by this review.

The previous Asset Management System (AMS) review recommendation regarding risk analysis and contingency plans is still outstanding and the recommendation regarding review of the AMS was partially completed. A recommendation concerning environmental analysis has been completed.

Summary of Issues and Recommendations

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

The Licensee Action Plan has been developed by the audit team in consultation with the Shire and has been approved by the Shire.

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
19 MAY 2009

LICENSEE ACTION PLAN

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
1	Operational Audit				
1.1	<p>Annual Performance Reporting (CI.14, Schedule 3)</p> <p>Audit noted that although the 2006/07 and 2007/08 Annual Performance Reports were submitted within the required time, on 25 June 2007 and 28 July 2008 respectively, the 2005/06 report was submitted late to the Authority on 12 September 2006. 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>	2	<p>Develop and implement a compliance schedule with timeframes for annual performance report submission included as part of the schedule of events to ensure regulatory timeframes are met. The compliance schedule will also help replacement staff if the Shire's EHO is unavailable.</p> <p>Create documentation to explain where and how to source the required information; and file and keep copies of the source information together with a copy of the Schedule 3 Annual Performance Report to allow easier checking of the validity of the results.</p>	<p><i>A compliance schedule will be developed and implemented.</i></p> <p><i>Documentation explaining where and how to source the required information will be created; and copies of the source information will be filed and kept together with the Annual Performance Report.</i></p>	<p>EHO 31 December 2009</p> <p>EHO 31 December 2009</p>
1.2	<p>Customer Charter (CI.19)</p> <p>The Shire of Victoria Plains Customer Service Charter was reviewed in February 2008 and approved by the Authority on 24 September 2008.</p> <p>The audit found that the Shire of Victoria Plains 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</p>	3	<p>Increase accessibility of the Customer Service Charter by displaying the charter in the Council offices and making the Charter available to customers on the website.</p> <p>Advise the customers on the availability of the Customer Service Charter on an annual basis.</p> <p>Develop and implement a compliance schedule with the Customer Service Charter annual notification requirement included as part of the</p>	<p><i>The Charter will be displayed in the Council offices and added to the website.</i></p> <p><i>A paragraph will be inserted into the information bulletin that goes out with the rates notice to let everyone</i></p>	<p>EHO 31 May 2009</p> <p>EHO 31 July 2009</p>

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
	<p>met. The review and submission of the Customer Service Charter was reactionary to a note sent by the Authority and not planned.</p> <p>The audit confirmed through discussion with the Shire's EHO that the charter is provided upon request and at no charge to the customers. The audit also noted that a copy of the charter is kept under the reception counter; however it is not being prominently displayed.</p> <p>The audit was unable to establish that the Shire of Victoria Plains is advising its customers of the availability of the customer service charter on an annual basis. The Shire forwarded a copy of the charter to all of Council's wastewater service customers in 2008. This was however done as part of the public consultation process with regards to the review of the charter. Moreover, 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>schedule of events to ensure regulatory requirements are met.</p>	<p><i>know annually of the availability of the Charter.</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><i>EHO</i></p> <p><i>31 December 2009</i></p>
1.3	<p>Incident Reporting (CI.14(a),(b))</p> <p>Although the Shire's scheme did not experience any overflows during the audit period, there is no system in place to ensure that the overflows would be reported to the Authority within 5 days of their occurrence.</p>	4	<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 if overflows occur.</p>	<p><i>A compliance schedule will be developed and implemented.</i></p>	<p><i>EHO</i></p> <p><i>31 December 2009</i></p>
1.4	<p>Customer Complaints (CI.20)</p> <p>There were no complaints received during the audit</p>	4	<p>A Complaints Register should be developed and maintained by the Shire in order to improve internal control over the recording and reporting</p>	<p><i>The Complaints Register will be developed and maintained by the Shire;</i></p>	<p><i>EHO</i></p> <p><i>31 December 2009</i></p>

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
	<p>period. No written customer complaints, overflows or blockages were reported as per the Annual Performance Reports during the audit period.</p> <p>If a complaint is received, a Complaint Report form is to be completed. However, it was noted that no Complaints Register has been set up.</p>		<p>of complaints (and procedures documented).</p> <p>Each customer complaint received by the Shire and its outcome should be recorded in the Complaints Register in sufficient detail 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>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>	
1.5	<p>Asset Management System (CI.6)</p> <p>The Shire's Asset Management Plan (AMP) has not been updated since January 2004.</p> <p>The cover of the AMP states that the document was created in January 2004; however the AMP does not contain any provision on the frequency and procedures for review and update.</p> <p>The effectiveness of the asset management system is currently being audited and the final report will be provided to the Authority. However, we did not identify a process in place to ensure that the timeframes would be met.</p> <p>The implementation of the Asset Management System review was reactionary to a note sent by the Authority</p>	4	<p>Update the AMP with the frequency of review and review procedures including the requirement to notify the Authority of any changes to the asset management system within the required timeframe as per the licence.</p> <p>Update the AMP for a document history section which will detail in a tabular form the date of the review or update of the document, person who performed it and brief description of the changes to the document from the previous version.</p> <p>Develop and implement a compliance schedule with the Asset Management System review dates included as part of the schedule of</p>	<p><i>The overall Asset Management System will be reviewed in total and a new Asset Management Plan will be introduced.</i></p> <p><i>A compliance schedule will be developed and implemented; and the required timeframes for the notification of the asset management system changes to the Authority noted in the schedule.</i></p>	<p>EHO 30 June 2012</p> <p>EHO 31 December 2009</p>

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
	and not planned.		<p>events to ensure regulatory timeframes are met.</p> <p>Note the required timeframes for notification of any asset management system changes to the Authority, in the compliance schedule.</p>		
1.6	<p>Operational Audit (CI.7)</p> <p>This performance audit is now being undertaken.</p> <p>However, we did not identify a process in place to ensure that the timeframes would be met. The implementation of the Operational Audit was reactionary to a note sent by the Authority and not planned.</p>	4	Develop and implement a compliance schedule with Operational Audit dates included as part of the schedule of events to ensure regulatory timeframes are met.	<i>A compliance schedule will be developed and implemented.</i>	<p>EHO</p> <p>31 December 2009</p>
1.7	<p>Emergency Telephone Service Operational (CI.15(c))</p> <p>The emergency customer service number is provided in the charter.</p> <p>The audit however noted that the emergency customer service telephone number provided in the AMP is different to the one provided in the charter.</p>	4	Update the AMP for the current emergency customer service telephone number.	<i>The AMP will be updated.</i>	<p>EHO</p> <p>30 June 2009</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 needs to be updated in line with the new operating licence issued to the Shire of Victoria</p>	3	Update the Asset Management Plan in line with the requirements of the new operating licence for the sewerage services issued to the Shire of Victoria Plains on 6 August 2008.	<i>The Asset Management System will be reviewed in total and a new Asset Management Plan will be introduced.</i>	<p>EHO</p> <p>30 June 2012</p>

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
	Plains on 6 August 2008.				
2.2	<p>Risk Management</p> <p>A partial and informal risk assessment has been performed.</p>	2	<p>A more formal risk assessment approach is recommended.</p> <p>The approach need not be too complicated but should use the following approach:</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><i>A more formal risk assessment will form part of the new Asset Management Plan to be developed.</i></p>	<p>EHO 30 June 2012</p>
2.3	<p>Contingency Planning</p> <p>No formal contingency plans are in place and emergency responses 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>Detailed contingency plans documenting the steps to</p>	1	<p>Following the risk assessment, a set of contingency plans or emergency procedures should be developed by the Shire to cover situations identified in the risk assessment as being a major or significant risk. For example bushfire affecting ponds or reticulation equipment; extreme rainfall events/water overflows from the ponds; pipeline burst or</p>	<p><i>A set of contingency plans will be developed to cover situations identified in the risk assessment as being a major or significant risk.</i></p> <p><i>The contingency plans will be reviewed and tested on at least an annual basis or</i></p>	<p>EHO 30 June 2012</p>

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
	<p>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>		<p>blockages etc.</p> <p>The contingency plans should include:</p> <ul style="list-style-type: none"> o Detailed procedures; o Key local contact details – name, number and location; o Communication protocols; o Specifications, location and availability of emergency equipment; and o Authorities that need to be contacted and when. <p>Once developed, the contingency plans should be reviewed and tested on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency.</p>	<p><i>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>	
2.4	<p>Asset Operations</p> <p>The Calingiri Wastewater Scheme Plans and Asset Register need to be updated to reflect the extension of the Calingiri Sewer main to Kurrali Street/Chitty Avenue done in 2004/2005.</p> <p>Also, as stated in the Shire's Principal Activities Plan, an annual inspection of the sewerage scheme is to be carried out to indicate condition, serviceability and maintenance required. However, the AMP and the Asset Registers have not been updated since 2004.</p>	3	<p>The Calingiri Wastewater Scheme Plans and the Calingiri Wastewater Scheme Asset Register need to be updated to reflect the extension of the Calingiri Sewer main to Kurrali Street/Chitty Avenue in 2004/2005.</p> <p>The AMP and the Asset Registers should be reviewed for accuracy of the assets' condition and performance assessment and updated to reflect the current state.</p> <p>The Asset Registers should be updated with more current Estimated Replacement Cost.</p>	<p><i>The Asset Management System will be reviewed in total and a new Asset Management Plan will be introduced.</i></p>	<p><i>EHO</i> <i>30 June 2012</i></p>
2.5	<p>Financial Planning</p> <p>The Financial Plan section of the AMP identifies the source of funds for capital expenditure to be through the</p>	2	<p>The Financial Plan section of the AMP needs to be reviewed and updated:</p> <ul style="list-style-type: none"> o for identification of the sources of 	<p><i>The Asset Management System will be reviewed in total and a new Asset Management Plan will be</i></p>	<p><i>EHO</i> <i>30 June 2012</i></p>

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
	<p>sewerage rates and the Shire's plant reserve. The Shire also maintains the Sewerage Scheme Reserve, the purpose of which is to be used to maintain and improve the Calingiri sewerage scheme. The purpose of the Plant Reserve is, on the other hand, to be used for purchase of major plant. The identification of the sources of funds for the capital expenditure for Calingiri Wastewater Scheme as well as for the Yerecoin Wastewater Scheme needs to be reviewed in the AMP and updated to reflect current practices.</p> <p>The AMP does not provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period.</p> <p>The provision and maintenance of the sewerage system is budgeted in the Shire of Victoria Plains Budget for the year ended 30 June 2009 only as part of the Community Amenities. The breakdown of revenue and expenditure within the Community Amenities is not provided.</p> <p>Also, the current Principal Activities Plan for the next five year period 1 July 2008 to 30 June 2013 provides only summarised information on revenue and expenditure for Sanitation & Sewerage as budgeted for 2008/09 and forecast for 2009/10 to 2012/13. A breakdown of revenue and expenditure is not provided.</p>		<p>funds for the capital expenditure for Calingiri Wastewater Scheme as well as for the Yerecoin Wastewater Scheme and to reflect current practices;</p> <ul style="list-style-type: none"> o for firm predictions on income for the next five years and reasonable indicative predictions beyond this period; and o to provide the expenditure allocation for operations and maintenance, administration and capital expenditure requirements of the scheme. 	<p><i>introduced.</i></p>	
2.6	<p>Capital Expenditure Planning</p> <p>The existing corporate system used to manage and fund these activities is the Principal Activities Plan.</p> <p>The Capital Expenditure Planning section of the AMP includes a Capital Works Schedule for five years 2003/04 - 2007/08. The Schedule is consistent with the Shire of Victoria Plains Principal Activities Plan for the</p>	2	<p>The Capital Works Schedule in the AMP needs to be updated for the next five years taking into account the asset life and condition identified in the Asset Management Plan.</p> <p>The Principal Activities Plan to be reviewed in line with the future sewerage schemes capital expenditure identified in the revised Capital</p>	<p><i>The Asset Management System will be reviewed in total and a new Asset Management Plan will be introduced.</i></p>	<p><i>EHO</i> <i>30 June 2012</i></p>

No.	Issue	Compliance/ Effectiveness Rating	Recommendation	Management Response	Person Responsible and Completion Date
	<p>four year period 1 July 2004 to 30 June 2008.</p> <p>The current Principal Activities Plan for the next five year period 1 July 2008 to 30 June 2013 provides only summarised information on revenue and expenditure for Sanitation & Sewerage as budgeted for 2008/09 and forecast for 2009/10 to 2012/13. The breakdown of revenue and expenditure is not provided.</p>		Works Schedule, and updated if necessary.		
2.7	<p>Review of Asset Management System</p> <p>The Shire's AMP has not been updated since January 2004. The cover of the AMP states that the document was created in January 2004; however the AMP does not contain any provision on the frequency and procedures of the AMP review and update. This issue is already covered by Recommendation 1.5.</p> <p>The operational audit and asset management system review identified that some sections of the AMP need to be updated to reflect current practices such as:</p> <ul style="list-style-type: none"> o Update the AMP in line with the requirements of the new operating licence for the sewerage services issued to the Shire 6 August 2008; o Update the AMP for the current emergency customer service telephone number; o The AMP and the Asset Registers should be reviewed for accuracy of the assets' condition and performance assessment and updated to reflect the current state; o The Financial Plan section of the AMP needs to be updated per item 2.5; and o The Capital Works Schedule in the AMP needs to be updated per item 2.6. 	2	<p>The Asset Management Plan should be reviewed in more frequent intervals i.e. annually and reissued when changes occur. The maintenance, capital expenditure plans and financial plans should also be revised annually.</p> <p>Keep track of all reviews of the Asset Management Plan.</p> <p>Update the sections of the Asset Management Plan identified by the operational audit and the asset management system review as requiring amendment.</p>	<p><i>The Asset Management System will be reviewed in total and a new Asset Management Plan will be introduced.</i></p> <p><i>The tracking of all reviews of the AMP will be kept by the Shire.</i></p>	<p><i>EHO</i></p> <p><i>30 June 2012</i></p>

1. Background

The Shire of Victoria Plains (“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 townships of Yerecoin and Calingiri.

The Shire of Victoria Plains operates two sewerage schemes, located in the townships of Calingiri and Yerecoin, established in 1981 and 1983 respectively as part of the State Government’s Shire Subsidy Scheme. Both schemes are gravity driven septic tank effluent disposal systems. Collectively the schemes consist of approximately 2,770 metres of sewerage reticulation mains with 3 oxidation ponds serving 88 residential and 9 non-residential properties. Treated effluent is discharged into a seasonal creek system in each town.

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

In the 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 6 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, has not been considered in conducting this operational audit and asset management system review. The operational audit and asset management system review have been conducted against the previous licence conditions, as this was what was quoted on at 25 July 2008 before the new compliance manual and licences came into effect, and also as the Shire may not have had enough time to prepare for the revised conditions.

2. Audit Approach

2.1 OBJECTIVES AND SCOPE

2.1.1 Operational Audit

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

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

The scope of the audit covered the following:

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

2.1.2 Asset Management Review

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

The scope of the review covered the following:

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

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

2.2 AUDIT PERIOD AND TIMING

The audit covered the period since the previous three-yearly audit, namely 1 December 2005 to 30 November 2008. The field audit visit was conducted on 16 December 2008.

2.3 LICENSEE'S REPRESENTATIVES PARTICIPATING IN THE AUDIT

- Frank Buise – Environmental Health Officer (EHO)
- Harry Hawkins – Chief Executive Officer (CEO)

- Ross Hooper – Works Manager
- Fiona Watson – Executive Assistant

2.4 KEY DOCUMENTS EXAMINED

- Shire of Victoria Plains Operating Licence dated 30/11/2004;
- Shire of Victoria Plains Water Services Operating Licence dated 6/8/2008;
- Decision on Review of Water Services Licences – Amendment to all Water Operating Licences and the release of the Final Water Compliance Reporting Manual dated 6th August 2008;
- Calingiri Operating Area (Sewerage and Non-potable water supply services) Plan No. OWR-OA-043;
- Yerecoin Operating Area (Sewerage and Non-potable water supply services) Plan No. OWR-OA-097;
- Sewerage Scheme Plans;
- Shire of Victoria Plains 2005 Operational Audit and Asset Management System Review Final Report (dated January 2006) for the period December 2002 to November 2005;
- Shire of Victoria Plains 2005 Asset management Review Post-Audit Implementation Plan;
- Shire of Victoria Plains Customer Charter for Wastewater Services amended September 2008;
- Economic Regulation Authority Approval of Shire of Victoria Plains Customer Service Charter dated 24 September 2008;
- Shire of Victoria Plains Financial Report for the year ended 30th June 2008;
- Shire of Victoria Plains Budget for the year ended 30 June 2009;
- Shire of Victoria Plains Minutes of the Special Budget Meeting held on Wednesday 30 July 2008;
- Shire of Victoria Plains Strategic Plan 2007-2011;
- Shire of Victoria Plains Principal Activities Plan for the four year period 1 July 2004 to 30 June 2008;
- Shire of Victoria Plains Sewerage Schemes Asset Management dated January 2004;
- Shire of Victoria Plains Annual Performance Report (Schedule 3) to the Authority for the period 2005/06 dated 12th September 2006;
- Shire of Victoria Plains Annual Performance Report (Schedule 3) to the Authority for the period 2006/07 dated 25th June 2008;
- Shire of Victoria Plains Annual Performance Report (Schedule 3) to the Authority for the period 2007/08 dated 28th July 2008; and
- Shire of Victoria Plains Complaints Report form.

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.

NAME	RATING	DESCRIPTION
Continuously improving	5	Continuously improving organisation capability and process effectiveness
Quantitatively controlled	4	Measurable performance goals established and monitored
Well-defined	3	Standard processes documented, performed and coordinated
Planned and tracked	2	Performance is planned, supervised, verified and tracked
Performed informally	1	Base practices are performed
Not performed	0	No process in place

2.7 AUDIT TEAM AND HOURS

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

3. Operational Audit

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

Section 3.2 provides details of the current status of key recommendations from the previous audit.

Section 3.3 provides further details of the systems and the compliance assessment for each obligation.

3.1 SUMMARY OF COMPLIANCE RATINGS

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

Operating area	Operating Licence reference (Cl.=clause, Sch.=schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (Low, Medium, High)	Adequacy of existing controls (S=strong, M=moderate, W=weak)	Compliance Rating (1=significantly non-compliant, 2=non-compliant, 3= compliant, 4= compliant, 5=compliant – refer section 2.5)				
						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	N/A	N/A	N/A	N/A					
Emergency telephone service operational	Cl.15(c)	3	C	High	Moderate				✓	
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	Moderate				✓	
Customer Charter	Cl.19	2	C	Medium	Weak			✓		
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	Moderate				✓	
Annual performance reporting	Cl.14(c), Sch.3	2	B	Medium	Weak		✓			
Compliance with reporting standards	Cl.15(a), Sch.2	2	B	Medium	Strong					✓
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>Customer Service Charter (Cl.19)</p> <p>The Charter has been reviewed; however, a date and version number should be included to validate the version number.</p> <p>The Shire is also required to provide the Customer Charter to the customers annually. It is suggested that the Shire should include a note with the rates notice.</p>	<p>The Shire of Victoria Plains Customer Service Charter has been reviewed in February 2008 and approved by the Authority on 24 September 2008. Revision and amendment dates are stated on the cover.</p> <p>The audit confirmed through discussion with the Shire's EHO that the charter is provided upon request and at no charge to the customers. The audit also confirmed that a copy of the charter is kept under the reception counter; however it is not being prominently displayed at the Shire's reception.</p> <p>Although, the Shire forwarded a copy of the charter to all of Council's wastewater service customers in 2008, this was done as part of the public consultation process with regards to the review of the charter. However, the audit was not able to establish that the Shire is advising its customers of the availability of the customer service charter on an annual basis. Moreover, 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 and display. (Refer Licensee Action Plan item 1.2).</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	<p>Water Services In Designated Areas</p> <p>The Licence permits the provision of Water Services within the Operating Areas described in Schedule 1 subject to compliance with the requirements of the Licence.</p>	5	Maps are kept with the location of all assets related to the waste water services provided by the Shire of Victoria Plains in the towns of Calingiri and Yerecoin. These were compared with the operating areas described in Schedule 1 (Plan No.: OWR-OA-097 for Yerecoin and OWR-OA-043 for Calingiri) of the Licence. All assets were found to be well within the specified operating area.	5
Cl.12(b)	<p>Availability and Connection of Services</p> <p>The Licensee shall ensure that its Water Services are available for Connection on request to any land situated in the Operating Area, subject to the applicant meeting any reasonable conditions the Licensee may determine to ensure safe, reliable and financially viable supply of services to land in the Operating Area in accordance with this Licence and any relevant legislation. Satisfactory compliance with the conditions of Connection is an essential requirement of gaining approval to connect to the Licensee's schemes.</p>	4	<p>The process of connecting to the Shire's services is outlined in the Shire's Customer Service Charter.</p> <p>According to the Shire's Asset Management Plan (AMP) and as discussed with the Shire' EHO, the wastewater treatment service is available to all those who wish to be connected to the system within the Operating Area.</p>	5
Cl.5	<p>Adherence to Regulation</p> <p>The Licensee shall comply with Regulations prescribing standards of service made under section 61 of the Act.</p>	4	No regulations had been published at the time of the audit.	N/A
Cl.6	<p>Asset Management System</p> <p>(a) The Licensee is to –</p> <p>(i) provide for an asset management system in</p>	4	<p>The Shire's AMP has not been updated since January 2004.</p> <p>The cover of the AMP states that the document was created in January 2004; however the AMP does not contain any provision on</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>respect of the Licensee's Water Service Assets;</p> <p>(ii) notify details of the system and any changes to it to the Authority; and</p> <p>(iii) not less than once in every of 36 months (or such longer period as the Authority allows), provide the Authority with a report by an independent expert acceptable to the Authority as to effectiveness of the system.</p> <p>(b) The asset management system is to set out the measures to be taken by the Licensee for the proper maintenance of Assets used in the provision of Water Services and for the undertaking, maintenance and operation of Water Services works.</p> <p>(c) The Licensee is to undertake, maintain and operate its Water Services Works in accordance with the processes set out in the asset management system.</p> <p>(d) The scope of the asset management system report under paragraph (a)(iii) will be set by the Authority.</p>		<p>the frequency and procedures for the AMP review and update.</p> <p>The effectiveness of the asset management system is currently being audited and the final report will be provided to the Authority. However, we did not identify a process in place to ensure that the timeframes would be met. The implementation of the Asset Management System review was reactionary to a note sent by the Authority and not planned.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ Update the AMP for details on the frequency of the review and review procedures including the requirement to notify the Authority of any changes to the asset management system within the required timeframe as per the licence. ▪ Update the AMP for a document history section which will detail in a tabular form the date of the review or update of the document, person who performed it and brief description of the changes to the document from the previous version. ▪ Develop and implement a compliance schedule with the Asset Management System review dates included as part of the schedule of events to ensure regulatory timeframes are met. ▪ 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><i>(Action Plan item 1.5)</i></p>	

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (1,2 = non-compliant 3,4,5 = compliant refer 2.5)
CI.7	<p>Operational Audit</p> <p>(a) The Licensee is to, not less than once in every period of 36 months (or such longer period as the Authority allows), provide the Authority with an Operational Audit conducted by an independent expert acceptable to the Authority.</p> <p>(b) An Operational Audit is an audit of the effectiveness of measures taken by the Licensee to maintain any quality and performance referred to in the License and applied to the Licence including those standards prescribed under section 33 of the Act.</p>	4	<p>This performance audit is now being undertaken.</p> <p>However, we did not identify a process in place to ensure that the timeframes would be met. The implementation of the Operational Audit was reactionary to a note sent by the Authority and not planned.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Develop and implement a compliance schedule with the Operational Audit dates included as part of the schedule of events to ensure regulatory timeframes are met. (Action Plan item 1.6) 	4
CI.8	<p>Adherence to Technical Standards</p> <p>The Licensee is to comply with the technical standards for the provision of Water Services; and the undertaking, maintenance and operation of Water Services works; published by the Authority in the <i>Government Gazette</i>.</p>	N/A	No relevant technical standards had been published in the <i>Government Gazette</i> at the time of the audit.	N/A
CI.9	<p>Adherence to Industry Codes</p> <p>The Licensee shall observe the <i>Sewerage Code of Australia WSA 02 1999</i> in the design and construction of sewerage systems.</p>	4	<p>The sewer schemes, located in the townships of Calingiri and Yerecoin, were built to appropriate standards when constructed in 1981 and 1983 respectively.</p> <p>Confirmed though discussion with the Shire's EHO that, no changes were made in the sewerage systems since the previous audit. The EHO is aware of the Code.</p>	5
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</p>	4	<p>Each year the Shire 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 30 June 2008 including an Independent Audit Report that confirmed</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)
	income and expenditure in relation to the Water Services provided under the Licence on an accruals basis.		<p>the financial reports are in accordance with the Local Government Act, the Local Government Financial Management Regulations, applicable Accounting Standards and other mandatory professional reporting requirements and represent fairly the financial position of the Shire of Victoria Plains as at 30 June 2008 and the results of its operations and cashflow for the year ended on that date.</p> <p>The Shire's Financial Management Information System (FMIS) has the ability to produce operating statements as per the Water Services licence requirements.</p>	
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 for 2008/2009 were approved during the Victoria Plains Special Budget Meeting held on 30 July 2008 as evidenced in the minutes for that meeting.</p> <p>The Shire charges \$150 per connection or ability to connect to sewerage at both Calingiri and Yerecoin townsites.</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>Both Calingiri and Yerecoin receive less than 20m³ /day and therefore according to the Environmental Protection Regulations 1987 do not require an annual licence.</p>	N/A
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 Licensee. An emergency is an event which causes, or threatens to cause, harm to people, the</p>	2	<p>The Customer Service Charter provides a section on emergency assistance which states the following:</p> <p><i>“The Shire maintains a 24-hour call diversion service or commercial emergency telephone service for emergency events, such as an overflow from a sewer. On the majority of occasions the telephone contact number will result in contact being made</i></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)
	environment or property.		<p><i>directly with a person authorised to attend to the problem. Should the number be unmanned for any reason, the answering service will provide an alternate number for contact”.</i></p> <p>The emergency contact number is provided in the charter.</p> <p>Telephone calls to the emergency numbers should be answered promptly and advise of action to be taken and timing given within one hour of the call.</p> <p>The audit however noted that the emergency customer service telephone number provided in the AMP is different to the one provided in the charter.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ Update the AMP for the current emergency customer service telephone number. <p><i>(Action Plan item 1.7)</i></p>	
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>	2	<p>The schemes did not experience any blockages or overflows during the audit period.</p> <p>Regular routine maintenance is being performed on the sewerage schemes to ensure minimum levels of service in the collection and conveyance systems.</p>	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>	N/A	No non-potable water is in use.	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)
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. As per the Schedule 3 Reports, the number of sewerage residential connections increased from 86 in 2006 to 88 in 2008. The number of non-residential sewerage connections remained the same at 9. 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 Notwithstanding the engagement of any person or persons to provide Water Services on its behalf, the Licensee remains responsible to ensure those services comply with the terms and conditions of the Licence and with the relevant legislation.	2	All Water Services are provided in-house. The AMP stipulates the roles and responsibilities for staff with respect to the ongoing operation of the Yerecoin and Calingiri Sewerage Schemes.	5
Cl.20	Customer Complaints 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	4	The Customer Service Charter outlines the process in regards to enquiries, suggestions, complaints and disputes. There were no complaints received during the audit period. No written customer complaints, overflows or blockages were reported as per the Annual Performance Reports during the audit period. In case a complaint is received, a Complaint Report form is to be	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>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 Licensee regarding a provided or requested water service, the Customer may refer the dispute to the Office of Water Policy.</p> <p>Unless the Complaint or dispute is a matter in relation to which section 3.22 of the <i>Local Government Act 1995</i> applies, where a dispute has not been resolved within 21 days the Licensee shall inform the Customer of the option of referring their Complaint to the Office of Water Policy.</p> <p>The Office of Water Policy may:</p>		<p>completed. However, it was noted that no Complaints Register has been set up.</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 should be developed and maintained by the Shire in order to improve internal control over the recording and reporting of complaints (and procedures updated); and ▪ Record each customer complaint received by the Shire and its outcome in the Complaints Register in sufficient detail in order to be able to ascertain: <ul style="list-style-type: none"> ○ Date and time the complaint was received; ○ Name of the complainant; ○ Who received the complaint; ○ Method of complaint; ○ Details of the complaint; ○ Time from report of the complaint to action; ○ Details of the action taken; ○ Name of person authorising; and ○ Date/ time responded. <p><i>(Action Plan item 1.4)</i></p>	

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (1,2 = non-compliant 3,4,5 = compliant refer 2.5)
	<p>(i) mediate the dispute; or</p> <p>(ii) direct the Licensee or Customer to binding arbitration.</p> <p>During the process of investigation and conciliation, the Licensee shall make every endeavour to promptly cooperate with the Office of Water Policy's (or its representative's) requests, which shall include the expeditious release of any information or documents requested by the Office of Water Policy and the availability of the relevant staff of the Licensee.</p> <p>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>CI.19</p>	<p>Customer Charter</p> <p>The Licensee must set out in writing the principles, terms and conditions upon which it intends to provide the Water Services to its Customers ('the Customer Service Charter')</p> <p>The Customer Service Charter must be submitted to the Authority for its approval by 1 December 1997. The Authority may require changes to be made to the charter.</p> <p>The Customer Service Charter:</p> <p>(iii) should be drafted in 'plain English'; and</p> <p>(iv) should address all of the service issues that</p>	<p>3</p>	<p>The Shire of Victoria Plains Customer Service Charter has been reviewed in February 2008 and approved by the Authority on 24 September 2008.</p> <p>Sighted the Customer Service Charter and the Authority's approval of the charter.</p> <p>The Shire of Victoria Plains first submitted their charter to the Authority for approval on 22 April 2008. The charter required further amendments. Upon request by the Shire, the Authority agreed to extend the due date for submission of the revised charter to 31 August 2008. The Shire re-submitted a revised version of the charter on 16 August 2008 and then the final version of the charter on 15 September 2008. The previous charter was approved by the Authority in February 2005. The Authority found that the Shire has submitted their new charter for approval within</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)
	<p>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> <ul style="list-style-type: none"> (i) by prominently displaying it in those parts of the Licensee's offices to which Customers regularly have access; (ii) by providing a copy, upon request, and at no charge, to a Customer; and (iii) by advising Customers of the availability of the Customer Service Charter on an annual basis. <p>It is a condition of the Licence that the Licensee provides services in a way that is materially consistent with its Customer Service Charter.</p>		<p>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>The audit confirmed through discussion with the Shire's EHO that the charter is provided upon request and at no charge to the customers. The audit also confirmed that a copy of the charter is kept under the reception counter; however it is not being prominently displayed.</p> <p>The audit was unable to establish that the Shire is advising its customers of the availability of the customer service charter on an annual basis. The Shire forwarded a copy of the charter to all of Council's wastewater service customers in 2008. This was however done as part of the public consultation process with regards to review of the charter. Moreover, 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 Customer Service Charter by displaying the charter in the Council office and making the Charter available to customers on the website; ▪ Advise the customers on the availability of the Customer Service Charter on an annual basis; ▪ Develop and implement a compliance schedule with the Customer Service Charter annual notification requirement included as part of the schedule of events to ensure regulatory requirements are met. <p><i>(Action Plan item 1.2)</i></p>	

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (1,2 = non-compliant 3,4,5 = compliant refer 2.5)
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> <ul style="list-style-type: none"> (i) hold a public meeting to obtain Customer views on the performance and operation of the scheme; or (ii) advertise for written submissions on the proposal. <p>The Licensee shall allow Customers to raise matters of concern regarding the sewerage system at public question time in accordance with the <i>Local Government Act 1995</i>.</p>	<p>4</p>	<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 requests for customer feedback and through information published in the local newspaper. The Shire will notify customers of any system change that may result in significant variation in its service levels.</p> <p>Audit confirmed that, on the basis of information provided, the Shire complies with the minimum requirement in relation to public consultation, as demonstrated through the public consultation process that the Shire undertook in relation to review of the Customer Service Charter in 2008.</p> <p>The Shire forwarded a copy of the charter to all of Council's wastewater service customers with correspondence requesting comment within 14 days. In addition, Council reviewed the charter at their Ordinary Meeting held on 18 March 2008.</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 Victoria Plains allows its customers to raise matters of concern regarding the sewerage system at public question time during the Council meetings.</p>	<p>5</p>
Cl.21	<p>Customer Survey</p> <p>Where an issue arises that the Authority considers to be of concern to customers, the Authority may require the Licensee to commission an independent customer survey that shall address and conform to the conditions and parameters set out in writing by the Authority.</p>	<p>5</p>	<p>The Shire had not been requested to commission a survey by the Authority at the time of the audit.</p>	<p>N/A</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)
	Such a survey will not be required more frequently than once every 12 months.			
CI.14(a), CI.14(b)	Incident Reporting The Licensee shall inform the Authority of the occurrence of any of the following events within five days of their occurrence: - overflows from wastewater/ sewerage infrastructure, including wastewater treatment plants, pumping stations etc. The Authority may require a detailed report on these events to be provided within 14 days of the request.	4	Although the Shire of Victoria Plains did not experience any overflows during the audit period, there is no system in place to ensure that the overflows would be reported to the Authority within 5 days of their occurrence. Recommendations: <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. <i>(Action Plan item 1.3)</i>	4
CI.14(c), Sch 3	Annual Performance Reporting The Licensee shall report the information set out in Schedule 3. The reports are due within 30 days of the end of each financial year.	4	Confirmed that the licensee had produced reports as per the requirements of Schedule 3 of the licence for 2005/06, 2006/07 and 2007/08. Audit noted that although the 2006/07 and 2007/08 Annual Performance Reports were submitted within the required time, on 25 June 2007 and 28 July 2008 respectively, the 2005/06 report was submitted late to the Authority on 12 September 2006. 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. The information for the reports comes from a variety of sources.	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)
			<p>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 help replacement staff if the Shire's EHO is unavailable. ▪ 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 1.1)</i></p>	
Cl.15(a)	<p>Compliance with Reporting Standards</p> <p>The Licensee shall comply with the quality and performance standards set out in Schedule 2.</p>	4	<p>Audit examined the 2005/06, 2006/07 and 2007/08 Annual Performance Reports and confirmed the Shire has complied with the performance standards as set out in Schedule 2 of the licence.</p>	5

3.4 INTEGRITY OF PERFORMANCE REPORTING

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

The audit noted that although the 2006/07 and 2007/08 Annual Performance Reports were submitted within the required time, on 25 June 2007 and 28 July 2008 respectively, the 2005/06 report was submitted late to the Authority on 12 September 2006.

The audit evidence presented suggests that the Shire lacks processes to ensure that documentation is prepared and submitted to the relevant authorities on time.

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

The audit recommendations to the Shire to improve the strength of its internal controls to maintain compliance with its performance reporting obligations are detailed in the 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 Victoria Plains 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:

- The 2005/06 performance report being 43 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 Customer Service Charter was not being prominently displayed at the Shire's reception and the audit was unable to establish that the Shire is advising customers of the availability of the charter on an annual basis; and
- The Shire 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 regarding the Customer Service Charter display and notification to customers which was partially 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>Environmental Analysis</p> <p>The operating environment is adequately understood, with the service delivery of a high standard.</p> <p><i>Recommendation: Opportunities and threats need to be assessed and documented.</i></p>	<p>There is not a specific section in the AMP on opportunities and threats for the system, but there is a section on the existing environment that describes external factors.</p>	Completed
2	<p>Risk Analysis and Contingency Planning</p> <p>No risk assessment and analysis has been conducted.</p> <p>The system is minor and the ponds are located such that any catastrophic failure will result in local, minor environmental damage rather than human harm. Contingency measures will need to be developed, including financial to deal with any contingencies. There is a sewerage reserve fund which appears in the annual budget and gets regular inputs of cash.</p> <p><i>Recommendation: Conduct a risk assessment and develop a contingency plan.</i></p>	<p>A risk assessment and contingency planning have not been conducted as yet.</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 & 2.3)</i></p>	Outstanding
3	<p>Review</p> <p>The Asset Management Plan and the Customer Charter have been reviewed since the last audit was undertaken and have been submitted to the Authority for approval. The licence stipulates that the AMP and Charter should be reviewed no later than every 36 months.</p> <p><i>Recommendation: The AMP and Charter 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.</i></p>	<p>The Shire's AMP has not been updated since January 2004. The cover of the AMP states that the document was created in January 2004; however the AMP does not contain any provision on the frequency and procedures for the AMP review and update.</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 items 1.5 & 2.7)</i></p>	Partially Completed

4.3 AUDIT RESULTS AND RECOMMENDATIONS

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (0=not performed, 1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving – refer section 2.6)
1	ASSET PLANNING		4
1.1	Have the strategic objectives for the assets been identified?	<p>The Shire of Victoria Plains Asset Management Plan (AMP) does include the following mission statement: <i>“The Shire of Victoria Plains’ mission is to provide cost effective wastewater collection, treatment and disposal services 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 include the service commitment detailed below:</p> <p><i>“The Shire 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 have been defined in the AMP.</p>	4
1.2	Have life cycle costs been considered?	<p>The costs of upgrading or replacing of current sewerage scheme assets have been budgeted for in the Capital Works Schedule of the AMP. Operation and maintenance costs are budgeted for in the annual budget.</p> <p>The Reserve Fund has been established to meet major capital upgrades/replacement of key infrastructure.</p>	4
1.3	Does the planning process and objectives reflect the needs of all stakeholders?	Yes, the need of all stakeholders appears to be considered.	4
2	ASSET CREATION/ ACQUISITION		N/A
2.1	Has the need for new assets been determined and full project evaluation	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	N/A

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (0=not performed, 1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving – refer section 2.6)
	process been followed, including comparative assessment of non-asset solutions?	Capital Investment Budget and in the Annual Operations and Maintenance Budget excel spreadsheets.	
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
3.1	Are under-utilised and under-performing assets identified as part of a regular, systematic review process?	As stated in the Shire's Principal Activities Plan, an annual inspection of the sewerage scheme is to be carried out to indicate condition, serviceability and maintenance required. Additionally, under-performing assets may be identified during routine preventative maintenance. The condition of all assets in the Calingiri and Yerecoin asset registers is assessed as 3 from the range 1 -5, where 1 is best and 5 is poorest. However, the asset registers have	3

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (0=not performed, 1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving – refer section 2.6)
		not been updated since 2004. The AMP and the Asset Registers should be reviewed for accuracy of the assets' condition and performance assessment and updated to reflect the current state as recommended in 8.5.	
3.2	Is there a replacement strategy?	An asset renewal and replacement plan assumes replacing assets at the end of their effective life, if required. The Reserve Fund has been established to meet major capital upgrades/replacement of key infrastructure.	4
3.3	Has an evaluation of disposal alternatives been completed?	Assets at the end of their life will be replaced with a similar capacity and the old asset dumped or recycled for scrap as appropriate.	2
3.4	Are damaged or missing assets written-off?	Damaged or missing assets would be written-off.	3
3.5	Is there a disposal plan?	The system is meeting demand and working close to capacity. As such there are no plans to dispose of any major assets in the foreseeable future.	2
3.6	Are the reasons for under-utilisation or poor performance critically examined and corrective action taken to remedy the situation, or a disposal decision made?	The system is meeting demand and working close to capacity. As such there are no plans to dispose of any major assets in the foreseeable future. Should asset condition assessment reveal under-performing assets or service level change dramatically; an asset disposal plan will be required, to ensure that the process is correctly undertaken.	2
4	ENVIRONMENTAL ANALYSIS		3
4.1	Have the performance requirements – availability of service, capacity, continuity, emergency response been documented?	The levels of service and performance parameters are clearly defined in the AMP. They include availability, capacity, continuity, odour control, and emergency response. Annual Performance Report is provided as per Schedule 3 to the Authority on an annual	4

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (0=not performed, 1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving – refer section 2.6)
		basis.	
4.2	Are the asset system objectives documented?	Yes, the Asset Management Plan outlines the expectations of each of the system components.	3
4.3	Have opportunities and threats in the system environment been assessed?	There is not a specific section in the AMP on opportunities and threats for the system, but there is a section on the existing environment that describes external factors.	2
4.4	Are regulatory obligations and statutory/regulatory requirements documented?	<p>Yes, the Asset Management Plan identifies the following regulatory requirements:</p> <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. <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 Victoria Plains on 6th August 2008.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ Update the Asset Management Plan in line with the requirements of the new operating licence for the sewerage services issued to the Shire of Victoria Plains on 6th August 2008. <p><i>(Action Plan item 2.1)</i></p>	3
4.5	Does the asset meet the level of service required by users of the service?	Yes, the assets are in keeping with Shire's statement on its commitment to service.	4
4.6	Do the assets meet regulatory	Compliance with the regulatory requirements is being monitored by the Shire's EHO and	4

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	requirements?	audited as required under the operating licence by the independent auditor.	
5	RISK MANAGEMENT		2
5.1	Has a risk assessment of the asset been conducted?	<p>A partial and informal risk assessment has been performed.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ A more formal risk assessment approach is recommended. The approach need not be too complicated but should use the following approach: <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><i>(Action Plan item 2.2)</i></p>	2
5.2	Has the probability and consequences of asset failure been identified?	Individual risks of asset failure have been identified within the Asset Management Plan in the operating rules and procedures. The probability and consequences have not been identified. A more formal approach to risk assessment is recommended as described in 5.1.	2
5.3	Is risk management practiced?	Risk management is only performed on an informal basis. A more structured approach is recommended as described in 5.1.	1
5.4	Are risk control measures implemented for risks identified as unacceptable?	Risk management is only performed on an informal basis. A more structured approach is recommended as described in 5.1.	1

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (0=not performed, 1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving – refer section 2.6)
6	CONTINGENCY PLANNING		1
6.1	Is there sufficient contingency planning and backup?	<p>No formal contingency plans are in place and emergency responses 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"> ▪ Detailed contingency plans documenting the steps needed to deal with an unexpected failure of a system, process or procedure need to be developed. <p><i>(Action Plan item 2.3)</i></p>	1
6.2	Is disaster recovery regularly tested?	<p>The contingency plans have not been tested.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ Once developed, 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><i>(Action Plan item 2.3)</i></p>	0
6.3	Are appropriate contingency plans in place?	<p>No formal contingency plans are in place and emergency responses are over-reliant on individual knowledge. 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>Recommendations:</p> <ul style="list-style-type: none"> ▪ Following the risk assessment, a set of contingency plans or emergency procedures should be developed by the Shire to cover situations identified in the risk assessment as being a major or significant risk. For example bushfire affecting ponds or reticulation equipment; reticulation pump or electrical failure; chlorinator failure; extreme rainfall events/water overflows from the ponds; 	1

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (0=not performed, 1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving – refer section 2.6)
		<p>pipeline burst or blockages etc..</p> <ul style="list-style-type: none"> ▪ The contingency plans should include: <ul style="list-style-type: none"> ○ Detailed procedures; ○ Key local contact details – name, number and location; ○ Communication protocols; ○ Specifications, location and availability of emergency equipment; and ○ Authorities that need to be contacted and when. <p>(Action Plan item 2.3)</p>	
6.4	Have contingency plans have been developed for events that may result in severe consequences?	No formal contingency plans are in place and emergency responses are over-reliant on individual knowledge. Contingency plans need to be developed as recommended in 6.1.	1
7	ASSET MANAGEMENT INFORMATION SYSTEM		2
7.1	Is there adequate system documentation?	<p>The asset system is managed without the aid of a specialised computerised system. Due to the simplicity of the gravity fed wastewater system which is in place, the use of a specialised computerised system is not warranted. The current practise of management of assets without specialised computerised system is adequate for the Shire's effective management of its water assets.</p> <p>The financial component of the system is managed by the Shire's financial officer through a system of paper and electronic programs. Procedures relating to account keeping, data security and back-up are outlined in general council procedures.</p>	2
7.2	Do the input controls include appropriate verification and validation of data entered into the system?	At the Shire, the asset system is managed without the aid of a specialised computerised system.	0
7.3	Are key computations documented and	At the Shire, the asset system is managed without the aid of a specialised computerised	0

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (0=not performed, 1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving – refer section 2.6)
	are they accurate?	system.	
7.4	Do reports meet management requirements?	The financial reports prepared by the Shire do meet management requirements.	2
7.5	Are the logical security access controls such as passwords adequate?	Access to the Shire's network is password protected.	3
7.6	Are there adequate physical security access controls?	Apart from the access to the reception area, access to the Shire's office is restricted to Shire staff and escorted visitors. The Shire offices are locked and alarmed outside of hours.	4
7.7	Are problems with the system tracked and are there management procedures for follow-up?	At the Shire, the asset system is managed without the aid of a specialised computerised system.	0
7.8	Is the functionality of the AMIS adequate for the licensee's needs?	At the Shire, the asset system is managed without the aid of a specialised computerised system.	0
8	ASSET OPERATIONS		3
8.1	Are practices covering operating rules documented?	Practices covering operating rules and operating procedures for collection systems and wastewater treatment plants are documented in the AMP.	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?	Yes, the operational plans appear to be related and linked to required levels of service.	3
8.4	Are the asset system components	The Description of Asset System section of the AMP clearly identifies the key	2

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	documented?	<p>components forming part of the Calingiri and Yerecoin sewerage scheme including an outline of each of the sewerage system component's general condition and performance. The AMP also includes photo prints of the sewerage schemes' key components.</p> <p>The Calingiri and Yerecoin wastewater schemes asset registers provide detailed listing of the components of the sewerage systems. However, the Calingiri Wastewater Scheme Asset Register needs to be updated to reflect the extension of the Calingiri Sewer main to Kurrali Street/Chitty Avenue done in 2004/2005.</p> <p>The Appendix A of the AMP contains 'As Constructed' drawings of the Yerecoin Sewer. However, no 'As Constructed' plans exist of the Calingiri Scheme, only estimated drawings of the sewer system done on the Calingiri townsite house numbering plan. The drawing, however, needs to be updated for the extension of the Calingiri Sewer main to Kurrali Street/Chitty Avenue done in 2004/2005.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ The Calingiri Wastewater Scheme Plans and the Calingiri Wastewater Scheme Asset Register need to be updated to reflect the extension of the Calingiri Sewer main to Kurrali Street/Chitty Avenue in 2004/2005. <p><i>(Action Plan item 2.4)</i></p>	
8.5	Does the register record asset type, location, material and an assessment of assets' physical/structural condition?	<p>Separate asset registers are kept for Calingiri wastewater scheme and Yerecoin wastewater scheme. Both registers are included in Appendix D of the AMP.</p> <p>Both asset registers includes details on:</p> <ul style="list-style-type: none"> ▪ Asset Number; ▪ Description; ▪ Length; ▪ Year constructed; ▪ Assumed economic life; 	2

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (0=not performed, 1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving – refer section 2.6)
		<ul style="list-style-type: none"> ▪ Estimated replacement year; ▪ Estimated replacement cost; ▪ Condition rating; and ▪ Importance Rating. <p>The assets' location is documented on the maps. However, the Calingiri Wastewater Scheme Plans and Asset Register need to be updated to reflect the extension of the Calingiri Sewer main to Kurrali Street/Chitty Avenue in 2004/2005 as recommended in 8.4.</p> <p>The AMP outlines of each of the sewerage system component's general condition and performance. The asset registers also provide condition rating of all key system components. However, the AMP and the Asset Registers have not been updated since 2004.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ The AMP and the Asset Registers should be reviewed for accuracy of the assets' condition and performance assessment and updated to reflect the current state. <p><i>(Action Plan item 2.4)</i></p>	
8.6	Is the asset's theoretical life known?	The asset register contains information on the expected life of each asset.	4
8.7	Are asset costs measured and recorded?	<p>All assets expenditure is captured in the Shire's Financial Management Information System (FMIS).</p> <p>The Historical Cost information for the assets has not been transferred to the Asset Register, which from the asset management point of view should have a minimal impact on the effectiveness of the asset management system.</p> <p>The Estimated Replacement Cost is captured in the Asset Register. However, this information was last updated in December 2003.</p>	3

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (0=not performed, 1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving – refer section 2.6)
		<p>Recommendation:</p> <ul style="list-style-type: none"> ▪ The Asset Registers should be updated with more current Estimated Replacement Cost. <p><i>(Action Plan item 2.4)</i></p>	
8.8	Are actual assets and human resources appropriate for performance requirements?	The actual assets and human resources are considered appropriate for the performance requirements.	4
9	ASSET MAINTENANCE		3
9.1	Are practices covering maintenance documented?	<p>Practices covering maintenance are documented in the AMP.</p> <p>Maintenance is regularly performed on assets. The maintenance routines to ensure minimum levels of service in the collection and conveyance systems are set out in the Maintenance Schedule for Calingiri sewerage system and in the Maintenance Schedule for Yerecoin sewerage system in Appendix F of the AMP.</p>	3
9.2	Do maintenance plans cover preventative and corrective maintenance?	Overall, the maintenance is geared towards preventative maintenance. This will ensure that the system continues to operate effectively and any deterioration in the condition of an asset is picked up in time to ensure proper planning of replacement or renewal.	3
9.3	Do maintenance practices reflect performance targets?	The current maintenance practices appear to reflect performance targets. The maintenance practices are designed to ensure that the sewerage system operates effectively and meets the system objectives.	3
9.4	Is the level of maintenance justified against replacement costs?	No formal comparisons appear to have been made of maintenance against replacement costs.	0
9.5	Do maintenance plans relate to what is required to achieve the levels of service required of the system?	The maintenance tasks specified in the Maintenance Schedule relate to the levels of service required of the system.	3

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (0=not performed, 1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving – refer section 2.6)
10	FINANCIAL PLANNING		2
10.1	Does the financial plan provide projections of operating statements (profit and loss) and statement of financial position (balance sheets);	A complete Annual Budget document is completed for each coming financial year for the Shire which includes the Sewerage System and actual/budget is monitored. Financial reports are provided to the Council on a monthly basis.	4
10.2	Does the financial plan cover the financial objectives and strategies and actions to achieve the objectives?	<p>The Financial Plan section of the AMP states the objective of the financial plan to be <i>“...to provide for the proper and orderly decision making of the Council, ensuring that sufficient resources are allocated to enable the Council to provide the wastewater scheme on behalf of, and for the benefit of the community”</i>.</p> <p>The provision and maintenance of the sewerage system is budgeted in the Shire of Victoria Plains Budget for the year ended 30th June 2009 only as part of the Community Amenities. The breakdown of revenue and expenditure within the Community Amenities is not provided.</p> <p>Also, the current Principal Activities Plan for the next five year period 1 July 2008 to 30 June 2013 provides only summarised information on revenue and expenditure for Sanitation & Sewerage as budgeted for 2008/09 and forecast for 2009/10 to 2012/13. The breakdown of revenue and expenditure is not provided.</p> <p>The Financial Plan section of the AMP needs to be updated to provide breakdown information for the operations and maintenance, administration and capital expenditure requirements of the scheme as recommended in 10.6.</p>	2
10.3	Does the financial plan identify the source of funds for the capital expenditure plan?	<p>The Financial Plan section of the AMP identifies the source of funds for capital expenditure to be through the sewerage rates and the Shire’s plant reserve.</p> <p>However, the Shire also maintains the Sewerage Scheme Reserve, the purpose of which is to be used to maintain and improve the Calingiri sewerage scheme. The purpose of the Plant Reserve is, on the other hand, to be used for purchase of major plant.</p>	2

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (0=not performed, 1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving – refer section 2.6)
		<p>The identification of the sources of funds for the capital expenditure for Calingiri Wastewater Scheme as well as for the Yerecoin Wastewater Scheme need to be reviewed in the AMP and updated to reflect current practices.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ The Financial Plan section of the AMP needs to be reviewed and updated for identification of the sources of funds for the capital expenditure for Calingiri Wastewater Scheme as well as for the Yerecoin Wastewater Scheme to reflect current practices. <p><i>(Action Plan item 2.5)</i></p>	
10.4	Is the source of funds for operations, maintenance and administration identified in the financial plan?	The Financial Plan section of the AMP identifies as the source of funds for operation, maintenance and administration to be sewerage rates, calculated and reviewed annually.	2
10.5	Does the financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period?	<p>The Financial Plan section of the AMP states that future income will come from existing ratepayers growth, albeit small.</p> <p>The AMP does not provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period.</p> <p>The current Principal Activities Plan for the next five year period 1 July 2008 to 30 June 2013 provides only summarised information on revenue and expenditure for Sanitation & Sewerage as budgeted for 2008/09 and forecast for 2009/10 to 2012/13. The breakdown of revenue and expenditure is not provided.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ The Financial Plan section of the AMP needs to be updated for firm predictions on income for the next five years and reasonable indicative predictions beyond this period. 	1

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (0=not performed, 1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving – refer section 2.6)
		<i>(Action Plan item 2.5)</i>	
10.6	Does the financial plan provide for the operations and maintenance, administration and capital expenditure requirements of the scheme?	<p>The provision and maintenance of the sewerage system is budgeted in the Shire of Victoria Plains Budget for the year ended 30th June 2009 only as part of the Community Amenities. The breakdown of revenue and expenditure within the Community Amenities is not provided.</p> <p>Also, the current Principal Activities Plan for the next five year period 1 July 2008 to 30 June 2013 provides only summarised information on revenue and expenditure for Sanitation & Sewerage as budgeted for 2008/09 and forecast for 2009/10 to 2012/13. The breakdown of revenue and expenditure is not provided.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ The Financial Plan section of the AMP needs to be updated to provide breakdown information for the operations and maintenance, administration and capital expenditure requirements of the scheme. <p><i>(Action Plan item 2.5)</i></p>	2
11	CAPITAL EXPENDITURE PLANNING		2
11.1	Has a capital expenditure plan been prepared?	<p>The existing corporate system used to manage and fund these activities is the Principal Activities Plan.</p> <p>The Capital Expenditure Planning section of the AMP includes a Capital Works Schedule for 5 years 2003/04 - 2007/08. The Schedule is consistent with the Shire of Victoria Plains Principal Activities Plan for four year period 1 July 2004 to 30 June 2008.</p> <p>The current Principal Activities Plan for the next five year period 1 July 2008 to 30 June 2013 provides only summarised information on revenue and expenditure for Sanitation & Sewerage as budgeted for 2008/09 and forecast for 2009/10 to 2012/13. The breakdown of revenue and expenditure is not provided.</p>	2

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (0=not performed, 1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving – refer section 2.6)
		<p>Recommendation:</p> <ul style="list-style-type: none"> ▪ The Capital Works Schedule in the AMP needs to be updated for the next five years. <p><i>(Action Plan item 2.6)</i></p>	
11.2	Does the plan cover the issues to be addressed, the actions proposed, the centre of responsibilities, and deadline dates?	<p>The existing corporate system used to manage and fund these activities is the Principal Activities Plan.</p> <p>The current Principal Activities Plan for the next five year period 1 July 2008 to 30 June 2013 provides only summarised information on revenue and expenditure for Sanitation & Sewerage as budgeted for 2008/09 and forecast for 2009/10 to 2012/13. The breakdown of revenue and expenditure is not provided.</p> <p>The Capital Works Schedule in the AMP needs to be updated for the next five years as recommended in 11.1.</p>	2
11.3	Does the plan provide reasons for capital expenditure and timing of expenditure?	<p>The current Principal Activities Plan for the next five year period 1 July 2008 to 30 June 2013 provides only summarised information on revenue and expenditure for Sanitation & Sewerage as budgeted for 2008/09 and forecast for 2009/10 to 2012/13. The breakdown of revenue and expenditure is not provided.</p> <p>The Capital Works Schedule in the AMP needs to be updated for the next five years as recommended in 11.1.</p>	2
11.4	Is the capital expenditure plan consistent with the asset life and condition identified in the asset management plan?	<p>The Calingiri Wastewater Scheme Asset Register included in the AMP provides the following items for replacement due within the next 5 years:</p> <ul style="list-style-type: none"> ○ In 2011, the fencing (assets number: CNPF1 and CSPF1) is due for replacement with the estimated replacement cost of \$10,000 each. <p>The Yerecoin Wastewater Scheme Asset Register included in the AMP provides the following items for replacement due within the next 5 years:</p>	2

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (0=not performed, 1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving – refer section 2.6)
		<ul style="list-style-type: none"> ○ In 2013, the fencing (asset number: YPF1) is due for replacement with the estimated replacement cost of \$10,000. <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ The Capital Works Schedule in the AMP needs to be updated for the next five years taking into account the asset life and condition identified in the Asset Management Plan. ▪ The Principal Activities Plan to be reviewed in line with the future sewerage schemes capital expenditure identified in the revised Capital Works Schedule, and updated if necessary. <p><i>(Action Plan item 2.6)</i></p>	
12	REVIEW OF AMS		2
12.1	Is a review process in place to ensure that asset management plans are kept current?	<p>The Shire's AMP has not been updated since January 2004.</p> <p>The cover of the AMP states that the document was created in January 2004; however the AMP does not contain any provision on frequency and procedures of the AMP review and update. This issue is already covered by the Recommendation 1.5.</p>	2
12.2	Are asset management plans being reviewed at appropriate intervals?	<p>The cover of the AMP states that the document was created in 2004. The AMP has not been updated since and it does not contain any provision on frequency of the AMP review.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ▪ The Asset Management Plan to be reviewed annually and reissued when changes occur. The maintenance, capital expenditure plans and financial plans shall be revised annually. ▪ Keep track of all reviews of the AMP. 	2

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (0=not performed, 1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving – refer section 2.6)
		<i>(Action Plan item 2.7)</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 6/8/2008; ○ Update the AMP for the current emergency customer service telephone number; ○ The AMP and the Asset Registers should be reviewed for accuracy of the assets' condition and performance assessment and updated to reflect the current state; ○ The Financial Plan section of the AMP needs to be updated per item 2.5; and ○ The Capital Works Schedule in the AMP needs to be updated per item 2.6. <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. <p><i>(Action Plan item 2.7)</i></p>	2

4.4 CONCLUSION

The review of the asset management system shows that processes are well-defined and monitored in respect of asset planning, disposal, operations, maintenance and environmental analysis. Other processes in respect of risk management, contingency planning, financial and capital expenditure planning and review of the asset management system need further development. Specifically:

- A more formal risk assessment needs to be conducted;
- Contingency plans and emergency procedures need to be developed and tested on an annual basis;
- The Asset Management Plan and the Asset Registers need to be updated to reflect the extension of the Calingiri Sewer main to Kurrali Street/Chitty Avenue in 2004/2005; and a current assessment of the assets' condition and performance;
- The Financial Planning section of the Asset Management Plan needs to be updated to show the current source of funds for capital expenditure; prediction of income for the next five years; and the expenditure allocations for operations and maintenance, administration and capital expenditure;
- The Capital Works Schedule in the Asset Management Plan needs to be updated for the next five years taking into account the asset life and condition identified in the Asset Management Plan; and
- Improving the Asset Management Plan monitoring and review practices and updating several areas of the Asset Management Plan as identified by this review.

The previous Asset Management System (AMS) review recommendation regarding risk analysis and contingency plans is still outstanding; the recommendation regarding the review of the AMS was partially completed. A recommendation concerning environmental analysis has been completed.

END OF REPORT