



*Shire of Kent -
Final Report*

2008 Operational Audit and Asset Management Systems Review

Final Report

Prepared By Gary de Leeuw
Water Manager NSW

Opus International Consultants (NSW) Pty Ltd
Sydney Office
Level 12, North Tower, 1-5 Railway St,
Chatswood, NSW 2067
PO Box 5340, West Chatswood, NSW 1515
Australia

Reviewed By Robert Westerberg
Derrick Hallis
Senior Water Engineer

Telephone: +61 2 9325 5600
Facsimile: +61 2 9904 6777

Date: 8th October 2009
Reference:
Status: Final

Contents

1	Executive Summary	1
1.1	Background	1
1.2	Objectives and Scope of Audit and Review.....	1
1.3	Time Frame of the Audit and Review	2
1.4	Operational Audit Conclusion	2
1.5	Asset Management System Review Conclusion	7
1.6	Summary Opinion of the Auditor	8
1.7	Signature of the Auditor.....	8
2	Introduction	9
3	Audit objectives	9
3.1	Operational/performance audit.....	9
3.2	Asset management system review	10
4	Scope of the audit/review	10
4.1	Operational/performance audit.....	10
4.2	Asset management system review	10
4.3	Risk and materiality assessment	11
4.4	Operational/performance audit System analysis	13
4.5	Summary of Operational Audit Findings	26
4.6	Asset management System analysis.....	28
4.7	Summary of Asset Management Review Findings	38
4.8	Fieldwork	41
4.9	Review of actions taken in response to recommendations in previous audit/review ..	42
5	Reporting	46
6	Key contacts	46
7	Hours Utilised	46
8	Post Audit Implementation Plan	47
9	Bibliography	52

1 Executive Summary

1.1 Background

The Shire of Kent has been issued an Operating Licence for the provision of sewerage and non-potable water supplies in the towns of Nyabing and Pingrup.

The Licence permits the Shire of Kent to provide non-potable water supply services and sewerage services in the operating areas that are centred on the townships of Nyabing and Pingrup, in the Great Southern Region of the State of Western Australia. The Economic Regulation Authority (Authority) monitors the operational performance of the Shire of Kent against its Operating Licence.

The Shire of Kent sewerage system consists of two systems, one each for the towns of Nyabing and Pingrup. The total system consists of approximately 2.5 kilometres of sewerage reticulation, two oxidation ponds, two pump stations housing four pumps (in a duty/standby configuration).

In accordance with Section 37 (1) of the Water Services Licensing Act 1995, operational audits are required to be undertaken not less than once in every 36 month period, or more frequently if the Authority so directs the Licensee. The primary role of this audit is to provide the Authority with an assessment of the effectiveness of measures taken by the Shire of Kent to maintain those quality and performance standards that are referred to in the Shire of Kent's Operating Licence.

Section 36 of the Water Services Licensing Act 1995 and Clause 16 and 17 of the Shire of Kent Operating Licence, require the Shire of Kent to provide and maintain an asset management system in respect of its assets. The system must set out the measures to be taken by the Shire of Kent for the proper maintenance of its assets and for the undertaking, maintenance and monitoring of its water services works. The Act further requires the Shire of Kent to provide the Authority with a report by an independent expert on the effectiveness of the asset management system.

The Shire of Kent with the approval of the Authority, commissioned Opus to conduct the 2008 operational audit and review of their asset management system. This report documents the findings of the audit/review.

1.2 Objectives and Scope of Audit and Review

The primary objective of the operational audit is to determine the effectiveness of measures taken by the Shire of Kent to maintain those quality and performance standards which are referred to in the Shire of Kent Operating Licence. Specifically, the audit considered the systems and effectiveness of processes used by the Shire of Kent to ensure compliance with the standards, outputs and outcomes required by the licence.

The Water Services Licensing Act 1995 also requires that the Shire of Kent provide for and maintain an asset management system. The system must set out the measures to be taken by the Shire of Kent for the proper maintenance of its assets and for the undertaking, maintenance and monitoring of its water services works. The Act further requires the Shire of Kent to provide the Authority with a report by an independent expert on the effectiveness of the system.

The asset management system review will provide an opinion to the Authority on whether the Shire of Kent has in place the appropriate systems for the planning, construction, operation and maintenance of its water services works. In reaching this opinion, the review examined;

- the adequacy of the asset management system by considering the outputs of the system, such as the operations and maintenance plans, asset registers and financial plans;
- the effectiveness of the asset management system by considering the systems established for the planning, construction, operation and maintenance of works;
- whether the system provides for the identification, development and implementation of strategic initiatives to improve the effectiveness of asset management;
- the Licensee's response to the recommendations made in previous reviews (if any have been conducted).

The review also focussed on identifying those aspects of the asset management system which may be further strengthened, with the view to providing feedback to the Shire of Kent on the adequacy and effectiveness of the system.

1.3 Time Frame of the Audit and Review

The audit and review covered the period from 1st December 2005 to 30th November 2008.

The audit was conducted over the day of the 29th July 2009.

1.4 Operational Audit Conclusion

Since the audit in 2005, the Shire of Kent has responded positively to the recommendations made in the previous audit.

Both schemes are relatively small in size and are managed well by the Shire of Kent and the Works Supervisor. Overall, the Shire of Kent has shown an adequate level of compliance with the licence during the current audit period. They have the systems in place to provide the service currently supplied to both Pingrup and Nyabing operational areas. There are however a few items that fail to meet the requirements of the licence and these are noted in the report and the Post Audit Implementation Plan.

The Operational Audit Risk Assessment identified the key risks and hence areas the auditors needed to concentrate their efforts on during the audit. The results of the assessment of the relevant standards, outputs and outcomes are summarised in the following table:

Summary Level of Compliance

Operating License Element	Operating License Reference	Likelihood (A = Likely, B = Probable, C = Unlikely)	Consequences (1 = Minor, 2 = Moderate, 3 = Major)	Inherent Risk (Low, Medium, High)	Adequacy of Existing Controls (S = strong, M = moderate, W = weak)	Compliance Rating scale in (Refer to 5-point rating scale in guidelines)					
						N/A	1	2	3	4	5
Water Services in designated operating area	Clause 2.1	C	1	L	S						✓
Licensee fees paid	Clause 4	C	2	M	S						✓
Compliance with Water Act 1995	Clause 5	C	3	H	M						✓
Customer Complaints process established	Clause 6.1	A	2	H	S						✓
Dispute Resolution process in place	Schedule 3, item 3.1	C	2	M	S					✓	
Disputes being referred to Department of Water	Schedule 3, item 3.3	B	2	M	M					✓	
Dispute referral to Depart of Water in case of not being resolved within 15 days	Schedule 3, item 3.4	B	2	M	W	✓					
Cooperation with Department of Water and supply of information regarding complaints	Schedule 3, item 3.6 & 3.7	C	2	M	S	✓					
Established system to record complaints and resolve complaints	Schedule 3, item 3.8	B	3	H	M						✓
Recording details of every complaint	Schedule 3, item 3.9 (a)	B	3	H	M						✓
Provision of officer to deal with customer complaint	Schedule 3, item 3.9 (b)	B	3	H	M				✓		

Necessary arrangements to resolve complaint within timeframe	Schedule 3, item 3.9 (c)	B	3	H	M								✓
Informing customer within 15 business days of dispute of option to refer to Department of Water	Schedule 3, item 3.10	B	2	M	W							✓	
Customer service charter established	Clause 7.1	B	2	M	M								✓
Customer service charter in place in accord with ERA guidelines	Schedule 3, item 2.1	C	2	M	M								✓
Drafted in plain English	Schedule 3, item 2.2	C	1	L	S								✓
Address issues of likely concern to customers	Schedule 3, item 2.2	B	2	M	M								✓
Amendments forwarded to the Authority for approval	Schedule 3, item 2.4	C	2	M	W							✓	
Available to customers and displayed in office	Schedule 3, item 2.5	B	2	M	S								✓
Reviewed by the Authority every 3 years	Schedule 3, item 2.6	C	1	L	S			✓					
Service being provided in accordance with customer service charter	Schedule 3, item 2.7	C	2	M	M								✓
Customer consultation process established	Clause 8.1	B	2	M	S							✓	
Ongoing customer consultation process	Schedule 3, item 4.1	B	2	M	M							✓	
Type and extent of services	Schedule 3, item 4.2	B	2	M	W	✓							
Other forums in place to enable community involvement	Schedule 3, item 4.3	B	2	M	M								✓
Customers consulted on new works	Schedule 3, item 4.5	B	2	M	M	✓							
Customers allowed to raise concerns	Schedule 3, item 4.6	C	2	M	S								✓
The Authority provides written notice of amendments under consideration to licensee	Clause 14.2	C	2	M	M								✓
Licensee maintaining accounts in accordance with Accounting Standards Board	Clause 15	B	2	M	S								✓

Operational Audit in accordance with ERA guidelines executed and supplied to the Authority	Clause 16	C	2	M	S					✓		
Asset Management System in place	Clause 17.1	C	3	H	M						✓	
Any material change to AMS to be notified to the Authority	Clause 17.2	B	2	M	M			✓				
Asset Management System Review and Report to the Authority within 24 months	Clause 17.3	C	3	H	M			✓				
Complying with ERA guidelines with Asset Management System Review	Clause 17.4	B	2	M	S						✓	
Approved auditor	Clause 17.6	C	3	H	S							✓
Licensee under External Administration	Clause 18	C	3	H	M							✓
Any significant changes in corporate, financial or technical circumstances		B	3	H	S							✓
Awareness of performance standards of Water Act 1995	Clause 19.1	B	3	H	M						✓	
Individual Performance Standards by the Authority	Clause 19.2	B	3	H	M	✓						
Individual Performance Standards by the Authority	Clause 19.3	B	3	H	M	✓						
Individual Performance Standards by the Authority	Clause 19.4	B	3	H	M	✓						
Compliance with performance standards of license	Clause 20	B	2	M	M							✓
Emergency response system in place	Schedule 4, item 1.1	B	3	H	S							✓
Timely resolution of customer complaints	Schedule 4, item 2.1	B	2	M	M	✓						
Overflows	Schedule 4, item 3.1	B	3	H	S							✓
Blockages	Schedule 4, item 3.1	B	2	M	S							✓
Provision of Information to the Authority	Clause 21.1	B	2	M	S							✓
Compliance with Reporting Requirements	Clause 21.2	C	2	M	M						✓	
Benchmarking and Performance Monitoring	Schedule 5, item 2.1	C	2	M	M							✓

Information																			
Incident Reports	Schedule 5, item 3.1 & 3.2	B	3	H	S	✓													
Publishing performance information	Clause 22.1	C	2	M	M	✓													
Confidential information	Clause 22.3	C	3	H	M	✓													
Resolution by the Authority on publishing of confidential information	Clause 22.4	C	3	H	M	✓													
Terms and conditions of customer contracts	Schedule 3, item 5.1	C	3	H	S	✓													
Written approval by the Authority of amendments to services contracts	Schedule 3, item 5.2	C	3	H	S	✓													
Annual report on agreements published	Schedule 3, item 5.4	C	2	M	S	✓													
Customer survey	Schedule 3, item 6	C	2	M	M	✓													
Set out conditions of connection	Schedule 6, item 2.1	C	2	M	S														✓
Services available to customers in designated supply area	Schedule 6, item 2.2	B	2	M	S														✓
Written approval from customer to disconnect service	Schedule 6, item 2.3	B	3	H	S	✓													
Shire of Kent issuing all notices in writing	Clause 23	B	3	H	S														✓
Compliance with technical standards	Clause 8	B	2	M	M														✓
Compliance with Industry Codes	Clause 9	B	1	L	M														✓
Prices comply with Health Act 1911 and Local Government Act 1995	Clause 11	C	2	M	M														✓
Compliance of service provision with license conditions	Clause 12	C	1	L	M														✓
Monitoring of specific information	Clause 14	B	2	M	M														✓
Customer awareness of non potable nature of services supplied	Clause 15 / Schedule 2	C	2	M	S	✓													

Asset Operations				✓		
Asset Maintenance				✓		
Asset Management Information System (MIS)				✓		
Risk Management				✓		
Contingency Planning				✓		
Financial Planning				✓		
Capital Expenditure Planning				✓		
Review of Asset Management Plan				✓		

1.6 Summary Opinion of the Auditor

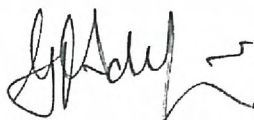
It is the Auditor's view that the Shire of Kent is achieving an adequate level of compliance with the requirements of the Operating Licence. This report has identified a few instances in which the Shire of Kent's full compliance with Licence requirements needs to be improved. Among other issues, the Shire of Kent needs to ensure that all required reporting is done within the timeframes set out in their license. The Shire also needs to ensure that they have the license from the Department of Environment to operate the pond in Nyabing. The construction at the Nyabing ponds, due to finish 16th November 2009, will bring the ponds up to the Department of Water and Department of Environment standards and a license will be reissued upon application.

The review revealed that Shire of Kent assets present to a high standard and capitalisation appears to be relevant to the scale of operations undertaken. This reflects well on the level of management and operating skill and commitment devoted to the operation of the areas under licence to the Shire of Kent.

It is the Auditor's opinion that the Shire of Kent has appropriate systems in place for the planning, construction, operation and maintenance of its assets.

1.7 Signature of the Auditor

This report has been prepared in accordance with the Audit Guidelines: Electricity, Gas and Water Licenses published on the 5th September 2006 by the Economic Regulation Authority. The audit and review findings reflect the opinion of the Lead Auditor.



Gary de Leeuw

Lead Auditor

Opus International Consultants

Level 12 North Tower,

1-5 Railway St

Chatswood NSW 2067

Date..19/10/09



Robert Westerberg

Auditor

Opus International Consultants

1st Flr Albany House

125 York Street

Albany WA 6330

Date...19/10/09

2 Introduction

The Shire of Kent is currently providing sewerage and non-potable water supply services to the towns of Nyabing and Pingrup under an Operating Licence issued by the Economic Regulation Authority (Authority). The audit was conducted against the Operating License dated 6th August 2008.

Each of the towns of Nyabing and Pingrup has separate sewerage systems which is operated and maintained by the Shire of Kent. The total system comprises approximately 2.5 kilometres of sewerage reticulation, two oxidation ponds and two pump stations.

The Water Services Licensing Act of 1995 stipulates that operational audits should be undertaken not less than once in every 36 month period, or more frequently if the Authority so directs. As a consequence an audit of the Shire of Kent's operational procedures are now required. The intended purpose of this audit is to assess the quality and effectiveness of the services that is provided by the Shire of Kent in relation to the quality and performance standards as contained within the Operating License of 6th August 2008.

It is a future requirement of the Water Services Licensing Act 1995 (Section 36) and the Shire of Kent's Operating Licence that the Shire of Kent provide and maintain an Asset Management System in respect of its assets. The Asset Management System should provide details and measures for the proper maintenance of assets and for the undertaking, maintenance and monitoring of the water services works provided by the Shire of Kent. It is a further requirement of the Act that the Shire of Kent provide the Authority with a report by an independent expert on the effectiveness of the asset management system.

Opus International Consultants was commissioned on 22 April 2009 by the Shire of Kent, with the approval of the Authority, to conduct the 2008 operational audit and review of their asset management system.

3 Audit objectives

3.1 Operational/performance audit

The Water Services Licensing Act 1995 (Section 37 (1)) stipulates that operational audits be undertaken not less than once in every 36 month period, or more frequently if the Authority so directs the Licensee.

The purpose of this operational/performance audit was to assess the effectiveness of measures taken by the Shire of Kent to meet the obligations of the performance and quality standards referred to in the Operating Licence of 6th August 2008.

The audit focused on the systems and effectiveness of processes used to ensure compliance with the standards, outputs and outcomes required by the licence. The audit identifies areas where improvements are required and recommends corrective action as necessary.

3.2 Asset management system review

The Water Services Licensing Act 1995 also requires the Shire of Kent to provide for and maintain an asset management system. It is a requirement that the system set out the measures to be taken by the Shire of Kent for the proper maintenance of its assets and for the undertaking, maintenance and monitoring of its water services works.

The purpose of this asset management system review was to assess the measures taken by the Shire of Kent for the proper management of assets used in the provision and operation of services and, where appropriate, the construction or alteration of relevant assets.

The asset management system review focused on the asset management system, including asset management plans, which set out the measures that are to be taken by the Shire of Kent for the proper operation and maintenance of assets. The plans convey the Shire of Kent's business strategies to ensure the effective management of assets over at least a five year period.

4 Scope of the audit/review

4.1 Operational/performance audit

The scope of the audit included the adequacy and effectiveness of performance against the requirements of the licence by considering:

- (a) **Process compliance** - the effectiveness of systems and procedures in place throughout the audit period, including the adequacy of internal controls.
- (b) **Outcome compliance** – the actual performance against standards prescribed in the licence throughout the audit period.
- (c) **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).
- (d) **Integrity of performance reporting** – the completeness and accuracy of the performance reporting to the Authority.
- (e) **Compliance with any individual licence conditions** - the requirements imposed on the specific licensee by the Authority or specific issues for follow-up that are advised by the Authority.

4.2 Asset management system review

The scope of the asset management system review included an assessment of the adequacy and effectiveness of the asset management system by evaluating the key processes of:

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

The effectiveness criteria and effectiveness rating scale that used in the review is described in sections 2 and 3 of Appendix 3 of the Audit Guidelines: Electricity, Gas and Water Licenses, September 2006.

4.3 Risk and materiality assessment

The primary purpose of an audit/review is to assess the effectiveness of measures taken by the licensee to ensure compliance with licence conditions or effectively manage its assets respectively. By first identifying material and/or high risk components of the relevant activities, the audit focussed on identifying or assessing those activities and management control systems subject to higher risk. The extent of audit effort was proportional to the materiality and risks of the Operating Licence conditions – the greater the materiality and the higher the risk, the more effort was applied.

The following table represents the assessment of inherent and control risks identified for each Operating Licence element. The audit also considered detection risk, calculated the resulting audit risk and determined the priority to examining and testing the Operating Licence elements.

		Our Assessment of the Risk Control		
		High (Weak controls)	Medium	Low (Strong controls)
Our assessment of Inherent Risk	High	Priority 1	Priority 2	Priority 2
	Medium	Priority 3	Priority 4	Priority 4
	Low	Priority 5	Priority 5	Priority 5

The table below shows the priority level against risk assessment used for this audit.

Priority Level	Risk Assessment	Audit Procedures
Priority 1	High inherent risk and high control risk (Weak internal controls)	Controls testing and extensive substantive testing of activities and/or transactions Follow up and if necessary, re-test matters previously reported.
Priority 2	High inherent risk and medium to low control risk	Controls testing and moderate substantive testing of activities and/or transactions. Follow-up and if necessary, re-test matters previously reported.
Priority 3	Medium inherent risk and high control risk (weak internal controls)	Limited controls testing (moderate sample size). Only substantively test transactions if further control weakness found. Follow-up of matters previously reported.
Priority 4	Medium inherent risk and medium to low control risk	Confirmation of existing controls via observation and walk through testing. Follow-up of matters previously reported.
Priority 5	Low inherent risk	Confirmation of existing controls via observation, discussion with key staff and/or reliance on key references (“desktop review”)

The risk assessment was discussed with stakeholders to gain their input as to the appropriateness of the comments, such as any factual inaccuracies, and for comment on the ratings. The assessment is set out in the following section.

4.3.1 System analysis, assertion setting and review

Through discussions with key operational and administrative staff, observation of processes, procedures and operations and review of key documents, an analysis was performed on a sample of data involving technical, operational and administrative aspects of those quality and performance standards maintained by the Shire of Kent, enabling comparison with the requirements of the Operating Licence.

4.3.2 Fieldwork: testing and analysis

Using the results of the risk assessment and systems analysis, we conducted detailed testing and analysis to compare those standards maintained by the Shire of Kent with the relevant sections and schedules of the Operating Licence. In assessing the extent of compliance, we considered items a) to e) of Item 4.1 of the Guidelines.

4.4 Operational/performance audit System analysis

Operating Licence Clause or Schedule	Specific Compliance Issues/ Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
Clause 2.1 Operating Area Schedule 1	Does the operating area identified in Schedule 2 correspond to the area in which the Shire of Kent provides its water services?	Alan Wright	5	The operating area is well defined on a map.	None
Clause 4 Fees	Is the Shire of Kent paying its fees in accordance with the Regulations?	Alan Wright	5	All fees have been paid as per the regulations.	None
Clause 5 Compliance with applicable legislation	Is the Shire of Kent complying with the Water Services Licensing Act 1995?	Alan Wright	5	The Shire of Kent currently complies with the Water Services Licensing Act 1995 as per the license.	None
Clause 6.1 Customer Complaints	Has the Shire of Kent established customer complaints processes according to Schedule 3?	Alan Wright	5	A customer complaints process has been established as part of the customer charter	None
Schedule 3, item 3.1 Dispute Resolution	Is there a system in place for recording, managing and resolving customer complaints?	Alan Wright	4	The Shire of Kent has a customer complaints register in place to record any complaints. Personnel are utilising this register, however there has been no training or official allocation of complaints personnel.	Officially allocate an individual that will be able to record and manage complaints from customers in regard to the Shire of Kent's license.
Schedule 3, item 3.3	Are customers made aware that they can refer any dispute between themselves and the Shire of Kent to the Water Services Planning Branch of the Department of Water?	Alan Wright	4	This is mentioned in the customer charter. Needs to be outlined in more detail in the charter.	Detail this further in the customer charter. The customer must be aware from reading the charter that other avenues are available to direct complaints to.
Schedule 3, item 3.4	If a dispute has not been resolved within 15	Alan Wright	N/A	No complaints have been lodged within	None

Operating Licence Clause or Schedule	Specific Compliance Issues/ Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
	business days, has the Shire of Kent informed the customer of the option of referring their complaint to the Department of Water?			this audit period	
Schedule 3, item 3.6 & 3.7	Has the Department of Water requested details of complaints made, and has the Shire of Kent responded in an expeditious manner?	Alan Wright	N/A	There have been no complaints within this audit period and therefore no requests from the DoW.	None
Schedule 3, item 3.8	Has the Shire of Kent established a system for recording and resolving complaints by the customers within 15 business days regarding a water service, or matters which must be considered by a Local Government Authority Council, within 5 business days after the first ordinary Council meeting following the expiry of the 15 business day period?	Alan Wright	5	The Shire of Kent has a system in place for recording and managing customer complaints however there are no systems in place to ensure the customer's complaint is dealt with in the required time frame.	The Shire of Kent to set up a complaints system that ensure customer complaints are resolved within the time frame.
Schedule 3, item 3.9 (a)	Is the Shire of Kent recording each customer complaint and its outcome?	Alan Wright	5	A complaints register is used	None
Schedule 3, item 3.9 (b)	Are there officers designated to deal with complaints, and are they authorised to settle disputes, including monetary compensation where necessary?	Alan Wright	3	Although there are no officers that are specifically allocated for this function, the CEO, Deputy CEO and the Works Manager are able to satisfy this condition.	Officially allocate the personnel that can deal with complaints.
Schedule 3, item 3.9 (c)	Is the Shire of Kent making all necessary arrangements to ensure that possible complaints can be resolved within 15 business days, or as per schedule 3, item 3.8?	Alan Wright	5	Processes are in place to ensure that complaints are resolved within the timeframe.	None
Schedule 3, item 3.10	Where complaints are not resolved within 15 days, is	Alan Wright	4	The process of finding alternate forms of	The Shire of Kent must ensure that

Operating Licence Clause or Schedule	Specific Compliance Issues/ Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
	the customer advised of alternative forms of redress?			redress is outlined in the customer charter. It is difficult to assess this item as there have been no complaints.	personnel dealing with the complaint should make the alternate forms of redress known on a case by case basis to the customer
Clause 7.1 Customer Service Charter	Has the Shire of Kent established customer service charter according to Schedule 3?	Alan Wright	5	A customer service charter is in place and a review thereof showed it to be extensive and of high standard.	None
Schedule 3, item 2.1 Customer Service Charter	Is the customer services charter in accordance with the Authorities review guidelines and the principles set out in schedule 3?	Alan Wright	5	The charter was developed utilising the guidelines and principles from the Authority.	None
Schedule 3, item 2.2 a) Customer Service Charter	Does the Shire of Kent have a "plain English" customer service charter?	Alan Wright	5	Very clear and well written.	None
Schedule 3, item 2.2 b) Customer Service Charter	Does the charter address all of the service issues reasonably likely to be of concern to its customers?	Alan Wright	5	The charter is detailed and covers issues that are likely to arise.	None
Schedule 3, item 2.4 Customer Service Charter	Have any changes to the Charter been approved by the Authority?	Alan Wright	4	Changes were sent to the Authority after the 2008 review of the charter and approved on the 30 th September 2008.	Shire of Kent to ensure a copy of the Authority's approval is on file.
Schedule 3, item 2.5 Customer Service Charter	How does the Shire of Kent make the Charter available to its customers?	Alan Wright	5	The charter is available to anyone. Copies are at each telecentre and the Shire of Kent offices.	None
Schedule 3, item 2.6 Customer Service Charter	Has the Charter been reviewed within the last three years?	Alan Wright	2	Last reviewed in 2008, however a copy of the charter has not been sent to all customers.	Shire of Kent to send a copy of the charter to all customers.
Schedule 3, item 2.7	Does the Shire of Kent provide services that are	Alan Wright	5	Services that the Shire of Kent provide	None

Operating Licence Clause or Schedule	Specific Compliance Issues/ Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
Customer Service Charter	consistent with the Charter?			are consistent with the charter.	
Clause 8.1 Customer Consultation	Has the Shire of Kent established customer consultation processes according to Schedule 3?	Alan Wright	4	There is a process in place as per the customer charter. However, utilising a flow chart to describe the process would assist in controlling this process better.	Create a flow chart to show the customer consultation process and add it to the charter.
Schedule 3, item 4.1	Does the Shire of Kent have an ongoing process of customer consultation which informs customers and solicit opinion from customers and how is this process implemented?	Alan Wright	4	This is part of the customer charter but could be detailed further.	Shire to ensure that there is sufficient detail in the Charter covering the customer consultation service
Schedule 3, item 4.2	Is the Shire of Kent consulting the Authority with respect to the type and extent of customer consultation?	Alan Wright	N/A	This is covered in the customer service charter and the customer services charter has been approved by the Authority.	None
Schedule 3, item 4.3	Has the Shire of Kent established forums to enable consultation with the community that is involved in issues relevant to the exercise of the Shire of Kent's obligations under the license?	Alan Wright	5	Monthly meetings allow the public to raise any concerns or complaints.	None
Schedule 3, item 4.5	Has the Shire of Kent held a public meeting or advertised for written submissions prior to making major changes to the operation of the water service?	Alan Wright	N/A	There have been no changes during this audit period.	None
Schedule 3, item 4.6	Does the Shire of Kent allow customers to raise matters of concern	Alan Wright	5	The public is welcome to come to the monthly council	None

Operating Licence Clause or Schedule	Specific Compliance Issues/ Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
	regarding the sewerage system at public question time in accordance with the Local Government Act 1995?			meetings and raise any concerns.	
Clause 14.2 Amendment of license	Has the Authority made, or is the Shire of Kent aware of any amendments to the license?	Alan Wright	5	Changes were made during this audit period and the charter was amended to reflect these changes.	None
Clause 15 Accounts	Are the Shire of Kent's accounts consistent with the requirements of the Local Government Act 1995?	Alan Wright	5	Statements are issued as required by the office of State Revenue.	None
	Does the Shire of Kent prepare its accounts in a way which enables it to issue an operating statement which accurately describes its income and expenditure in relation to the Water Services provided under the Licence on an accruals basis?	Alan Wright	5	An operating statement is provided on a yearly basis	None
Clause 16.1 Operational Audit	Has the Shire of Kent undertaken an Operational Audit and supplied it to the Authority within 24 months of the commencement date of the License?	Alan Wright	3	An operational audit was conducted on site 29/07/2009. This is late and non compliant with the Authority's requirements	Ensure the next audit is completed and submitted to the Authority as required in the guideline and license
Clause 16.2	Has the Authority's standard audit guidelines been used as a minimum requirement in appointing the auditor, scoping the audit and execution & reporting of the audit?	Alan Wright	3	Audit guidelines along with previous audits have been used to appoint the auditor, prepare and scope the audit and conduct this audit.	None
Clause 16.4	Has the auditor been approved by the Authority?	Alan Wright	3	Auditor approved by the Authority	None
Clause 17.1 Asset Management System	Is there an Asset Management System in place for the water service assets of the Shire of	Alan Wright	4	The current Asset Management System (AMS) is part of the Asset Management	A Computer managed AMS would be a better and more efficient

Operating Licence Clause or Schedule	Specific Compliance Issues/ Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
	Kent?			Plan (AMP). This system is not computer managed.	option for managing their assets.
	Does the system set out the measures to be taken by the Shire of Kent for the proper maintenance of its assets and the undertaking, maintenance and operation of water service works?	Alan Wright	4	A maintenance schedule is evident as part of the AMP, however could be more detailed.	Consider detailing the maintenance schedule further within the AMP
Clause 17.2	Have the details of the asset management system, and any changes, been forwarded to the Authority?	Alan Wright	2	This is due for a review. Any changes shall be submitted to the Authority	Ensure that any updates that are required are made, then forward to the Authority for comment
Clause 17.3 Asset Management System Review	Has the Shire of Kent conducted an asset management system review, and provided the Authority with a report within every 24 month period since the commencement date of the license?	Alan Wright	2	Opus Consultants were engaged on the 22 nd April 2009 to conduct the Asset Management System Review.	None
Clause 17.3 Asset Management System Review	Has the information on maintenance activities been collected and recorded in accordance with documented procedures?	Alan Wright	4	Recording of maintenance happens as part of the regular programme.	None
Clause 17.3 Asset Management System Review	Are the procedures understood by staff?	Alan Wright	5	Staff understand the requirements with asset management.	None

Operating Licence Clause or Schedule	Specific Compliance Issues/ Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
Clause 17.4 Asset Management System Review	Is the Shire of Kent complying with the Authority's standard guidelines in terms of its asset management system review, including the minimum requirements relating to the appointment of the expert, scope of review, conduct of the review and reporting of the results?	Alan Wright	4	Reviews have been made with the approval from the Authority.	None
Clause 17.6 Asset Management System Review	Has the Shire of Kent's asset management system review auditor been approved by the Authority?	Alan Wright	5	Yes	None
Clause 18 Reporting	Is the Shire of Kent under external administration as defined by the Corporations Act (2001)?	Alan Wright	5	The Shire of Kent is not under external administration. The Shire of Kent is able to operate autonomously.	None
	Has significant changes occurred in the Shire of Kent's corporate, financial or technical circumstances that may affect its ability to meet the license conditions?	Alan Wright	5	No significant changes.	None
Clause 19.1 Individual Performance Standards	Is the Shire of Kent aware of the performance standards contained in the Water Services Licensing Act 1995?	Alan Wright	4	The shire of Kent is aware of the performance standards	None
Clause 19.2 Individual Performance Standards	Has the Authority prescribed individual performance standards the Shire of Kent must comply with?	Alan Wright	N/A	No	None

Operating Licence Clause or Schedule	Specific Compliance Issues/ Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
Clause 19.3 Individual Performance Standards	In the event that such performance standards have been prescribed by the Authority, has the Authority provide the Shire of Kent with a copy of any such performance standards, allowed 25 business days for submissions in relation to these prescriptions and duly considered any such submissions?	Alan Wright	N/A	No individual performance standards have been subscribed to the Shire of Kent.	None
Clause 19.4 Individual Performance Standards	Subject to any such individual performance standards being prescribed by the Authority, have they been approved by the Authority and included in schedule 4 of the license?	Alan Wright	N/A	No individual performance standards have been subscribed to the Shire of Kent.	None
Clause 20 Services and Performance Standards	Is the Shire of Kent complying with the service and performance standards as contained in Schedule 4 of the license, and presented below?	Alan Wright	5	Compliance has been shown with current performance standards.	None
Schedule 4, item 1.1 Emergency response	Has the Shire of Kent implemented an emergency telephone number? Do 90% of customers receive advice within one hour of reporting an emergency?	Alan Wright	5	Three mobile numbers are provided in the customer charter. The mobiles are manned at all times. Processes are in place to ensure the 1 hour rule is met, however these processes were never implemented during the audit period as there was no requirement.	None
Schedule 4, item 2.1 Responsiveness to Customer Complaints	Are 90% of written customer complaints resolved within 15 days?	Alan Wright	N/A	No written complaints have been received since last audit.	None
Schedule 4, item 3.1 Overflows	Have 90% or more of customers had no sewerage overflows onto their properties?	Alan Wright	5	No overflows have occurred during the audit period	None
Schedule 4, item	Were there less than 40	Alan Wright	5	One blockage	None

Operating Licence Clause or Schedule	Specific Compliance Issues/ Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
3.1 Blockages	blockages per 100 km length of sewer?			recorded. This was resolved as soon as a plumber was available from Albany.	
Clause 21.1 Provision of Information	Has the Shire of Kent provided the Authority with all the information they require to execute their functions under the Act with the time, manner and form specified by the Authority?	Alan Wright	5	The Shire of Kent is Complying as per clause 14 on page 25 of this report	None
Clause 21.2 Provision of Information	Is the Shire of Kent complying with the reporting requirements as set out in Schedule 5?	Alan Wright	4	The Shire of Kent advised that compliance reports and incident reports are due by 31 st August 2009.	Shire of Kent to prepare reports to send to the Authority
Schedule 5, item 2.1 Benchmarking and Performance Monitoring Information	Has the Shire of Kent provided the Authority with data for the purposes of performance monitoring as set out in the Water Compliance Reporting Manual?	Alan Wright	5	No incidents occurred hence no reports. Reports were submitted regarding performances as per the manual.	None
Schedule 5, item 3.1 Incident Reports	Has the Shire of Kent informed the Authority in writing within 3 business days of the occurrence of any of the following incidents:				
	a) any overflows from sewerage services or works that requires the Department of Environment and Conservation to be informed under section 72 of the Environmental Protection Act 1986?	Alan Wright	N/A	No overflows occurred during the audit period.	None
	b) disruption of sewerage services to customers for a period exceeding 24 consecutive hours?	Alan Wright	N/A	No lengthy disruptions occurred during the audit period.	None
	c) any incident relating to water services	Alan Wright	N/A	No incidents occurred during the audit period	None

Operating Licence Clause or Schedule	Specific Compliance Issues/ Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
	or the operation of water services that has been reported to another regulatory/public authority e.g. Department of Health?				
Schedule 5, item 3.2 Incident Reports	In the event that any such event has occurred, has the Shire of Kent provided the following information to the Authority?				
	a) detailed description of the incident incl. the date, nature and extent of the incident, the location and number of customers affected?	Alan Wright	N/A	There are processes in place to record the details and forward to the Authority. No incidents to report.	None
	b) what actions the Shire of Kent has undertaken or intends to take to rectify the incident and measures to minimise the risk of it happening again?	Alan Wright	N/A	There are processes in place to record the details and forward to the Authority. No incidents to report.	None
Clause 22.1 Publishing Information	Has the Authority directed the Shire of Kent to publish information in relation to the Shire's performance and obligations, and in the event of such requirement, has the Shire of Kent complied with the time within which the information should be published?	Alan Wright	N/A	No requests made by the Authority.	None
Clause 22.3 Publishing Information	In the event that such information is confidential, has the Shire of Kent notified the Authority and asked for a review of the decision?	Alan Wright	N/A	No request has been made during this audit period.	None
Clause 22.4 Publishing Information	Subject to clause 22.3, has the Authority responded to the Shire of Kent on what action needs to be taken?	Alan Wright	N/A	No request has been made during this audit period.	None
Schedule 3, item 5.1	Has the Shire of Kent entered into agreements with customers to provide	Alan Wright	N/A	No agreements entered into that exclude, modify of	None

Operating Licence Clause or Schedule	Specific Compliance Issues/ Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
Terms and conditions of customer contracts	water services?			restrict the terms of conditions of this license.	
Schedule 3, item 5.2	If so, have any of the terms and conditions been modified without written approval from the Authority?	Alan Wright	N/A	No modifications.	None
Schedule 3, item 5.4	If so, is the Shire of Kent publishing an annual report with the details of the agreements?	Alan Wright	N/A	No agreements made during this audit period.	None
Schedule 3, item 6.1 Customer Survey	Has the Authority required the Shire of Kent to commission an independent customer survey within the past 12 months, and if so, has the survey complied with the conditions and parameters specified by the Authority?	Alan Wright	N/A	No requests made during this audit period.	None
Schedule 6, item 2.1 Other Provisions: Obligations to Customers – Availability and Connection Services	Has the Shire of Kent set out in writing its conditions for connection and has this information been made available to all applicants?	Alan Wright	5	As part of the customer service charter, these conditions are outlined.	None
Schedule 6, item 2.2 Other Provisions: Obligations to Customers – Availability and Connection Services	Is the Shire of Kent ensuring that its services are available for connection on any land situated in the Operating Areas, subject to the applicant meeting the conditions the Shire of Kent has determined to ensure safe, reliable and financially viable in accordance with the license and the Water Act?	Alan Wright	5	The operating scheme is available to all customers.	None
Schedule 6, item 2.3 Other Provisions: Obligations to	In the event where servicing a property is not commercially viable, has the Shire of Kent obtained written agreement from	Alan Wright	N/A	No such event has occurred.	None

Operating Licence Clause or Schedule	Specific Compliance Issues/ Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
Customers – Availability and Connection Services	the property owner prior to discontinuing the service?				
Clause 23 Notices	Is the Shire of Kent issuing all notices in writing?	Alan Wright	5	Notes from the Shire of Kent go out weekly and as part of the rates notice.	None
Issues from Operating License of 28 September 2004.					
<i>To be evaluated only insofar as the Shire of Kent complied with requirements for duration of overlap between this current audit and the January 2006 audit for the period that the 2004 Operating License applied.</i>					
Clause 8 Technical Standards	Does the Shire of Kent comply with the technical standards for the provision of and the undertaking, maintenance and operation of Water Services works as published in the Government Gazette?	Alan Wright	5	The operation of the works is well managed.	None
	Is the Government Gazette readily available and reviewed?	Alan Wright	5	The Shire of Kent ceased subscription to the Government Gazette. The Gazette is available on-line and via email. Any part of the Gazette that is directly relating to the Shire of Kent is extracted and kept on file.	None
Clause 9 Industry Codes	Does the Shire of Kent observe the Sewerage Code of Australia WSA 02 1999 when designing/constructing works?	Alan Wright	5	No new connections during the audit period. New treatment ponds are being constructed for the Nyabing effluent scheme. These ponds have been designed and will be constructed in accordance with the Sewerage Code of Australia WSA 02 1999 and the Water Corporation's Wastewater Manual Volume 1.	None

Operating Licence Clause or Schedule	Specific Compliance Issues/ Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
Clause 11 Prices or charges	Do the prices and charges set by the Shire of Kent comply with the Health Act 1911 and the Local Government Act 1995?	Alan Wright	5	Yes	None
Clause 12 Methods or principles to be applied in the provision of Water Services	How does the Shire of Kent ensure that water services provided on it's behalf comply with the terms and conditions of the licence and relevant legislation?	Alan Wright	5	The Shire of Kent is following relevant guidelines and codes along with the approval of the Authority. The Government Gazette is received by the CEO and any relevant information or changes are filed and brought to the attention of the Shire of Kent.	None
	How does the Shire of Kent ensure that it's water services are available for connection on request to any land within the Operating Area?	Alan Wright	5	Due to the size of the towns, it is unlikely that the 4000m service radius will ever be utilised. However, the Shire of Kent can provide connections if need be.	None
	How does the Shire of Kent ensure that the services it supplies are safe, reliable and financially viable?	Alan Wright	5	The Shire of Kent ensures this function is a part of the AMP and financial planning	None
Clause 14 Specific information to be provided	Has the Shire of Kent informed the Authority within five days of any overflows from wastewater/sewerage infrastructure?	Alan Wright	5	No overflows occurred within this audit period, hence no reporting required.	None
	If the Authority requested any detailed reports on overflow events, have they been provided within 14 days of the request?	Alan Wright	N/A	No requests have been made.	None
	Has the Shire of Kent provided the information in Schedule 3 to the Authority within 30 days of the end of each financial year?	Alan Wright	2	The report was provided late to the Authority dated, 17 th August 2007.	Need to make changes to reporting system to ensure reporting requirements are

Operating Licence Clause or Schedule	Specific Compliance Issues/ Requirements	Auditee	Activity Compliance	Comments/Remarks	Actions
					met on time.
Clause 15 / Schedule 2 Performance Standards	Are customers provided with non-potable water annually notified that the water supplied is not potable?	Alan Wright	N/A	No non potable water is supplied by the Shire of Kent.	None
Clause 17 Obligations to public authorities and other Licensees	Do the wastewater treatment plants operated by the Shire of Kent have the relevant licences from the Department of Environment and are they operated in accordance with these licences?	Alan Wright	2	Nyabing currently does not hold a licence, however actions are in place to upgrade the ponds to meet requirements.	Apply for new licence when upgrades are complete.

4.5 Summary of Operational Audit Findings

Overall the Shire of Kent’s compliance with the licence conditions was good. The following section details those issues that were identified in the audit as being non conformant as well as providing some recommendations in regard to corrective action.

4.5.1 Asset Management System

While it is evident that maintenance is occurring and there is a maintenance schedule within the Asset Management Plan, there are no details on what level of maintenance was carried out.

The Works Supervisor for the Shire of Kent now maintains the whole of the wastewater treatment system as per the recommendation made in the previous audit.

Recommendation

A maintenance recording and programming system be set up and utilised.

4.5.2 Reviews of the Asset Management System

It was evident that there have been no reviews on the asset management system during the previous audit period. The reviews must be carried out to ensure that the current system is still working for the Shire of Kent and to ensure that it is being utilised correctly.

Recommendation

Conduct a review of the asset management system.

4.5.3 Clause 14 – Specific information to be provided

The Shire of Kent provided the Schedule 3 report, however the report was received on the 17th August 2007. This is beyond the allowed 30 days past the end of financial year.

Recommendation

Apply changes to the reporting systems to ensure all reports are delivered on time. Perhaps a reminder system within Microsoft Outlook that warns the Shire of Kent of upcoming deadlines.

4.5.4 Clause 17 – Obligations to public authorities and other Licensees

The Shire of Kent currently does not hold a licence for the Nyabing ponds. The upgrades being made to the Nyabing ponds are a result of an audit done by the Department of Environment. These upgrades will bring the ponds up to and beyond the requirements of the Department of Environment.

Recommendation

Ensure that once the construction of the ponds is complete that the Shire of Kent applies for a new licence for the operation of the Nyabing ponds.

4.5.5 Schedule 3, item 2.6 Customer Service Charter

The customer service charter was last reviewed in 2008, however the charter has not been sent to all customers for comment.

Recommendation

The Shire of Kent is to send the customer charter to all customers for comment.

4.6 Asset management System analysis

4.6.1 Risk Assessment

Operating Area	Operating License Reference	Failure during period audited		Inherent Risk (Low, Medium, High)	Adequacy of Existing Controls (S = strong, M = moderate, W = weak)	Priority (1 = highest, 5 = lowest)
		Likelihood (A = Likely, B = Probable, C = Unlikely)	Consequences (1 = minor, 2 = Moderate, 3 = Major)			
Asset Planning	Cl. 17	B	3	High	M	2
Asset Creation / Acquisition	Cl. 17	B	3	High	M	2
Asset Disposal	Cl. 17	B	3	High	M	2
Environmental Analysis	Cl. 17	B	3	High	M	2
Asset Operations	Cl. 17	B	3	High	M	2
Asset Maintenance	Cl. 17	B	3	High	M	2
Asset Management Information System	Cl. 17	B	3	High	M	2
Risk Management	Cl. 17	B	3	High	M	2
Contingency Planning	Cl. 17	B	3	High	M	2
Financial Planning	Cl. 17	B	3	High	M	2
Capital Expenditure Planning	Cl. 17	B	3	High	M	2
Review of AMS	Cl. 17	B	3	High	M	2

4.6.2 Effectiveness Rating Scale

For the Asset Management Review, an asset management adequacy matrix was used to assess the effectiveness of the Shire of Kent's asset management system. The rating scale uses the following levels:

Effectiveness	Rating	Description
Continuously improving	5	Continuously improving organisation capability and process effectiveness
Quantitatively controlled	4	Measurable performance goals established and monitored
Well-defined	3	Standard processes documented, performed and coordinated
Planned and tracked	2	Performance is planned, supervised, verified and tracked
Performed informally	1	Base practices are performed
Not performed	0	Not performed (indicate if not applicable)

4.6.3 Asset Planning

Asset planning strategies are focused on meeting customer needs in the most effective and efficient manner (delivering the right service at the right price).

Item No.	Test	Comments	Effectiveness
1	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning	As part of the AMP.	3
2	Service levels are defined	As part of the AMP.	3
3	Non-asset options (eg demand management) are considered	As part of the AMP.	3
4	Lifecycle costs of owning and operating assets are assessed	As part of the AMP, Does not show in detail the life cycle costs.	3
5	Funding options are evaluated	As part of the AMP.	3
6	Costs are justified and cost drivers identified	As part of the AMP.	3
7	Likelihood and consequences of asset failure are predicted	Risk assessment is part of the equipment register.	3
8	Plans are regularly reviewed and updated	Last review done in 2006. Review due this year 2009. Shire of Kent to conduct review as soon as possible.	3

Overall Comment

The majority of the asset planning is covered within the Asset Management Plan. Ideally the asset planning should be done using a computer managed system although the current method is working well.

4.6.4 Asset Creation/Acquisition

Asset creation/acquisition means the provision or improvement of an asset where the outlay can be expected to provide benefits beyond the year of outlay. In the case of major capital expenditure, full project evaluation should be undertaken and life cycle costs assessed.

Item No.	Test	Comments	Effectiveness
1	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions	Evaluations are made for new assets including the new ponds for Nyabing.	3

2	Evaluations include all life-cycle costs	Yes, included.	3
3	Projects reflect sound engineering and business decisions	The Shire of Kent's decisions reflect sound engineering and business decisions.	3
4	Commissioning tests are documented and completed	Commissioning will be done as part of the construction of the new ponds at Nyabing.	N/A
5	Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood	Covered as part of the approvals to run the system.	3
6	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions	Options were assessed as part of the evaluation of the new ponds.	3
7	Evaluations include all life-cycle costs	These costs were evaluated.	3

Overall Comment

The Nyabing effluent ponds are currently being upgraded. There was no asset creation or acquisition during this audit period. The Shire of Kent is aware of the requirements with creating a new asset and will satisfy the conditions above.

4.6.5 Asset Disposal

Effective asset disposal frameworks incorporate consideration of alternatives for the disposal of surplus, obsolete, under-performing or unserviceable assets. Alternatives are evaluated in cost-benefit terms.

Item No.	Test	Comments	Effectiveness
1	Under-utilised and under-performing assets are identified as part of a regular systematic review process	These assets are outlined in the AMP. Very minimal assets within the Shire of Kent. Reviews are ad hoc and need to be conducted more regularly.	2
2	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken	The only under utilised asset is the Pingrup pond and there are no issues with it being under utilised.	3

3	Disposal alternatives are evaluated	Consideration is made for alternate disposal within the AMP.	3
4	There is a replacement strategy for assets	This is part of section 4 of the AMP.	3

Overall Comment

There has been no need for any asset disposal in the current audit period. The Pingrup effluent pond is under utilised but there are no issues with its current utilisation.

4.6.6 Environmental Analysis

Environmental analysis examines the asset system environment and assesses all external factors affecting the asset system.

Item No.	Test	Comments	Effectiveness
1	Opportunities and threats in the system environment are assessed	Audit done by 360 Environmental in December 2007. This was requested by the Authority and has resulted in an upgrade to the Nyabing ponds.	3
2	Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved	All of these items are measured.	4
3	Compliance with statutory and regulatory requirements	There were overflow issues with the Nyabing ponds hence the construction of new ponds.	3
4	Achievement of customer service levels	Customers within both town sites appear satisfied.	4

Overall Comment

The environmental side of the audit is good. The recent audit done by 360 Environmental has outlined some areas for improvement and the Shire of Kent has measures in place to address the audit's finding.

4.6.7 Asset Operations

Operations functions relate to the day-to-day running of assets and directly affect service levels and costs.

Item No.	Test	Comments	Effectiveness
1	Operational policies and procedures are documented and linked to service levels required	As part of the AMP.	4
2	Risk management is applied to prioritise operations tasks	As part of the AMP.	3
3	Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data	This is in section 4 of the AMP.	3
4	Operational costs are measured and monitored	Cost are monitored as part of the financial review.	3
5	Staff receive training commensurate with their responsibilities	Staff are trained in the required fields of asset operation.	3

Overall Comment

Asset operations are satisfactory for such small communities however a computer managed system would be much more efficient.

4.6.8 Asset Maintenance

Maintenance functions relate to the upkeep of assets and directly affect service levels and costs.

Item No.	Test	Comments	Effectiveness
1	Maintenance policies and procedures are documented and linked to service levels required	As part of section 7 of the AMP.	3
2	Regular inspections are undertaken of asset performance and condition	As part of section 7 of the AMP.	3
3	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule	A schedule is part of section 7 of the AMP. A more detailed maintenance plan	3

Item No.	Test	Comments	Effectiveness
		could be adopted although the current plan is sufficient.	
4	Failures are analysed and operational/maintenance plans adjusted where necessary	No significant failures occurred.	4
5	Risk management is applied to prioritise maintenance tasks	As part of section 4 of the AMP.	4
6	Maintenance costs are measured and monitored	The financial statements outline any costs involved in maintenance.	3

Overall Comment

Overall the maintenance of the asset is good, however a more detailed maintenance plan would be necessary to ensure that maintenance is conducted at appropriate time gaps.

4.6.9 Asset Management Information System (MIS)

An asset management information system is a combination of processes, data and software that support the asset management functions.

Item No.	Test	Comments	Effectiveness
1	Adequate system documentation for users and IT operators	Recommend to put assets on a system, other than Microsoft Word, that is easy to use and maintain. Staff need to be trained in the use of this system. The Shire of Kent should use the spreadsheets provided to them by the Authority to assist in asset management.	1
2	Input controls include appropriate verification and validation of data entered into the system	N/A	N/A
3	Logical security access controls appear adequate, such as passwords	Computers need login details prior to using them. Login details are	4

Item No.	Test	Comments	Effectiveness
		provided to staff.	
4	Physical security access controls appear adequate	N/A	N/A
5	Data backup procedures appear adequate	The data server is backed up regularly	4
6	Key computations related to licensee performance reporting are materially accurate	N/A	N/A
4	Management reports appear adequate for the licensee to monitor licence obligations	Reports are adequate.	3

Overall Comment

It is recommended that the Shire of Kent have the asset management system moved into a format where it can be maintained and utilised easily by trained personnel. The current asset management system resides within a Microsoft Word format.

4.6.10 Risk Management

Risk management involves the identification of risks and their management within an acceptable level of risk.

Item No.	Test	Comments	Effectiveness
1	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system	Extensive risk management is done including Job Safety Analysis.	3
2	Risks are documented in a risk register and treatment plans are actioned and monitored	As part of the Job Safety Analysis.	3
3	The probability and consequences of asset failure are regularly assessed	As part of the reviews on the AMP. Recommend to be done more frequently.	3

Overall Comment

Risk management is a part of the Shire of Kent’s regular maintenance and operation. The risk management system is satisfactory.

4.6.11 Contingency Planning

Contingency plans document the steps to deal with the unexpected failure of an asset.

Item No.	Test	Comments	Effectiveness
1	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks	Contingency plans are documented and are in place to cover pond, pump and delivery line failures.	3

Overall Comment

For such a simple system it is sufficient.

4.6.12 Financial Planning

The financial planning component of the asset management plan brings together the financial elements of the scheme to ensure its financial viability over the long term. Since capital investments tend to be large and lumpy, projections would normally be expected to cover at least 10 years, preferably longer. Projections over the next five years would be based on firm estimates.

Item No.	Test	Comments	Effectiveness
1	The financial plan states the financial objectives and strategies and actions to achieve the objectives	The AMP has covered the financial objectives.	3
2	The financial plan identifies the source of funds for capital expenditure and recurrent costs	The financial plan outlines the source of funds to be the rates collected from customers and a reserve fund held by the Shire of Kent.	3
3	The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets)	This information is supplied within the AMP.	3
4	The financial plan provide firm predictions on income for the next five years and reasonable indicative	These figures will be reviewed and updated as part of the AMP review in	3

Item No.	Test	Comments	Effectiveness
	predictions beyond this period	2009.	
5	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services	Forward financial plan is provided in the AMP.	3
6	Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary	The reserve covers any variances. The scheme is designed to be a self balancing scheme. Any large scale projects are funded by the Government or the Shire of Kent reserve.	3

Overall Comment

The Shire of Kent has sufficient financial control and planning in place to manage the existing system. These systems will need to be reviewed once the new ponds in Nyabing are complete.

4.6.13 Capital Expenditure Planning

The capital expenditure plan provides a schedule of new works, rehabilitation and replacement works, together with estimated annual expenditure on each over the next five or more years. This can be expressed as a schedule of projected annual expenditures offset by possible income from asset disposal, supported by documentation of the reasons for the decisions and evaluation of alternatives and options.

Item No.	Test	Comments	Effectiveness
1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates	Items are added individually to the budget as required. There is a replacement/refurbishment plan within the AMP that guides the Shire of Kent as to when large cost items will need funds. The budget is raised on a case by case budget to council.	3
2	The plan provide reasons for capital expenditure and timing of expenditure	The timing of expenditure is based on the life of the asset.	3
3	The capital expenditure plan is consistent with the asset life and	The capital expenditure plan takes into account the	3

	condition identified in the asset management plan	remaining asset life and condition as rated in the AMP.	
4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned	The capital expenditure budget is flexible. If replacement or refurbishment is required before the planned time, the budget is changed to suite. The budget is planned as accurate as possible however if need be it can be adjusted to cover unforeseen costs.	3

Overall Comment

The size of the Shire of Kent allows the capital expenditure to be modified as required. There is a capital expenditure plan for future asset replacement and upgrades within the AMP.

4.6.14 Review of Asset Management Plan

Review of the asset management plan assists to ensure the effective development and operation of asset management plans.

Item No.	Test	Comments	Effectiveness
1	A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current	Planned to be reviewed in 2009. Cost predictions to be done for the next 5 years and beyond. Review is due and should be done as soon as possible by the Shire of Kent.	3
2	Independent reviews (eg internal audit) are performed of the asset management system	Need to arrange for an internal review to be conducted. Arrange an internal review.	2

4.7 Summary of Asset Management Review Findings

4.7.1 Introduction

The 2008 Asset Management System review is the fourth external assessment undertaken on the Shire of Kent's Asset Management System. The purpose of this review was to examine the Asset Management System and recommend any changes required to operate more efficiently.

The Asset Management System is adequate for the size of the Shire of Kent's wastewater treatment system because the system is small and simple. There have been no complaints and very few breakdowns. This indicates the system is running well. The financial planning is adequate with reserves in place for any emergency funds required.

The Asset Management Plan along with the Customer Service Charter, detail the level of service the customer can expect from the Shire of Kent.

4.7.2 Specific Findings and Recommendations from Current Review

- **Asset Planning**

The asset management system is operating at an acceptable level due to the size of the system and the fact that the Shire of Kent's population is not expected to grow within the next 5 years. The asset planning is done as part of the AMP. The AMP is an excellent document. The AMP is due for review as soon as possible.

Recommendation

The Shire of Kent will need to conduct a review of the Asset Management Plan as soon as possible.

Assessment: Excellent

- **Asset Creation / Acquisition**

The Nyabing effluent ponds are currently being upgraded outside of the audit period. This is the only creation or acquisition that has occurred from the start of the previous audit period to current.

Assessment: Excellent

- **Asset Disposal**

There have been no asset disposals during the current audit period. The reviews of under utilised assets need to be conducted more frequently.

Recommendation

The Shire of Kent to conduct a survey of underutilised or underperforming assets.

Assessment: Good

- **Environmental Analysis**

The operating environment was audited by 360 Environmental during this audit period. Issues were outlined and these issues are currently being rectified.

Recommendation

Once the new works construction is complete at the Nyabing ponds, the Shire of Kent will require a review of the Asset Management System to encompass the new works. A new licence from the Department of Environment will also need to be obtained once construction is completed.

Assessment: Good

- **Asset Operations**

The scale of asset operations is satisfactory for the size of the service area.

Assessment: Good

- **Asset Maintenance**

Overall the maintenance of the asset is good, however a more detailed maintenance plan would be necessary to ensure that maintenance is conducted at appropriate time gaps.

Recommendation

It would make maintenance more efficient to form a more detailed maintenance plan other than what is in the AMP.

Assessment: Good

- **Asset Management Information System (MIS)**

It is recommended that the Shire of Kent have the asset management system moved into a format where it can be maintained and utilised easily by trained personnel. The current asset management system resides within a Microsoft Word format. Although the current system works for the Shire of Kent it would be much more useable in a spreadsheet format where reports and current conditions can be produced easily.

Recommendation

Consider using the spreadsheets given to the Shire of Kent by the Authority for the asset management system.

Assessment: Adequate

- **Risk Assessment**

Risk management is a part of the Shire of Kent's regular maintenance and operation routine. The risk management system is satisfactory.

Assessment: Good

- **Contingency Planning**

The Shire of Kent has appropriate contingency measures in place, including financially, to deal with any unforeseen events.

Assessment: Good

- **Financial Planning**

The financial plan supports the requirements of the Shire of Kent's asset based on a five year time line. The annual budget outlines the income and expenditure for the wastewater treatment system.

Assessment: Good

- **Capital Expenditure Plan**

The Capital Expenditure Plan identifies forward expenditure to a five year time line. The Shire of Kent's reserve funds are also available for any unpredicted asset failures.

Assessment: Good

- **Review of Asset Management Plan**

The Asset Management Plan has been reviewed since the last audit and submitted to the Authority for approval. This occurred in 2006.

The licence stipulates that these reviews must occur no later than every 36 months.

Recommendation

A review of the AMP is overdue. The Shire of Kent should schedule a review of this document within the next 3 months.

Assessment: Largely adequate

4.8 Fieldwork

We conducted a visit to the Shire of Kent to access information and conducted interviews with staff. Our field auditor assessed compliance with the requirements of the licence through assessing and testing:

- The control environment – The Shire of Kent’s management philosophy and operating style, organisational structure, assignment of authority and responsibilities, the use of internal audit, the use of information technology and the skills and experience of the key staff members.
- The information system – the appropriateness of information systems to record the information needed to comply with the licence, accuracy of data, security of data and documentation describing the information system.
- Control procedures – the presence of systems and procedures to ensure compliance with the licence, effectiveness of internal control structure to detect and correct non-compliance.
- Compliance attitude - the action taken by the Shire of Kent in response to any previous audit/review recommendations. This included an assessment of the Shire of Kent’s attitude towards compliance.

4.9 Review of actions taken in response to recommendations in previous audit/review

Item No	Description	Recommendation from Previous Audit	Action Taken	Further Recommendations
1	<p>Asset Management System (Clause 6)</p> <p>While there is a Maintenance Schedule detailed in the Asset Management Plan and there is evidence that maintenance is occurring, there is no written evidence detailing what level of maintenance has been carried out and when.</p> <p>In the Shire of Kent the maintenance of the wastewater treatment system is not under the auspices of the Works Supervisor, but comes under the control of the Building Maintenance Manager, who is under the control of the Deputy CEO.</p>	<p>A maintenance recording system be set up and utilised.</p> <p>Consideration should also be given to transferring the role of maintaining the wastewater treatment system to the Works Supervisor. This will ensure that all Shire maintenance involving external maintenance are carried out by the one team.</p>	<p>The maintenance recording is done via the financial reviews. This system works to some extent however a more detailed computer based recording system should be utilised. This will help with programming future works and tracking past events.</p> <p>There has been an effort to respond to the previous audit however the response could be better.</p>	<p>The method used by the Shire of Kent is working due to the size of the Shire.</p> <p>However, a computer managed system can assist greatly in recording work complete and programming forward work.</p> <p>The Shire of Kent should set up a system to record more effectively the maintenance work.</p> <p>The Works Supervisor for the Shire of Kent now maintains the whole of the wastewater treatment system as per the recommendation made in the previous audit.</p>
2	<p>Technical Standards (Clause 8)</p> <p>The Shire of Kent have ceased to subscribe to the Government Gazette as they felt it was not getting read. However, the CEO</p>	<p>Before embarking on major works on the system, the relevant departments, such as Water Corporation, Department of Environment, Health Department, etc, be consulted to ensure the latest standards are complied</p>	<p>The Nyabing effluent ponds are currently being upgraded and as part of the design the latest standards have been utilised.</p> <p>The Gazette is still received via email and is available on the</p>	<p>No further action is required</p>

Item No	Description	Recommendation from Previous Audit	Action Taken	Further Recommendations
	receives updates of standards from government agencies via email.	with. Periodically check, via on-line access to the Government Gazette, to ensure that the latest technical standards are available for the provision of and the undertaking, maintenance and operation of Water Services	internet.	
3	<p>Specific Information to be provided (Clause 14)</p> <p>The information required in Schedule 3 has not been filled in and submitted to the Authority. This was also a finding in the previous audit.</p>	The Shire of Kent immediately fill in the Schedule 3 form and forward it to the Authority. The Shire of Kent to ensure that the form is filled in and submitted to the Authority within 30 days of the end of each financial year.	This form was filled in and sent to the Authority immediately after the previous audit and for the following financial years.	No further action is required
4	<p>Obligations to public authorities and other Licensees (Clause 17)</p> <p>There was no evidence that the Shire of Kent had applied for one off registration with the Department of Environment.</p>	The Shire of Kent to immediately apply for one off registration with the Department of Environment.	The Shire of Kent has registered with the Department of Environment.	No further action is required
5	<p>Customer Service Charter (Clause 19)</p> <p>The customer charter is not displayed in the foyer of the Shire Offices. It was reported that it was until recently, but had been inadvertently removed.</p>	The Shire of Kent to display the customer charter in the foyers of both Nyabing and Pingrup libraries, as well as replacing the missing copy in the Shire office.	The customer charter is displayed at the Council offices and at each of the tele-centres at each town site.	No further action is required

Item No	Description	Recommendation from Previous Audit	Action Taken	Further Recommendations
6	<p>Dispute Resolution (Clause 20)</p> <p>There is no filed system for recording, managing and resolving customer complaints. There does not appear to be many complaints and those that arise are referred to either the CEO or Deputy CEO for immediate attention. Should nobody appropriate be available, details are taken and left for either the CEO or Deputy CEO. CEO reported that on one occasion he walked to the complainant's house and resolved the issue on the spot.</p>	<p>While this system appears to work well for a small Shire, they have not met the requirement so the licence. Thus, a formalised complaints register should be set up. This will also help with performance assessment of the operation of the wastewater treatment system.</p>	<p>Although there have been no complaints since the last review the Shire of Kent have set up an official complaints register and it is ready for use.</p>	<p>No further action is required</p>
7	<p>Environmental Analysis</p> <p>The operating environment is adequately understood, with the service delivery of a high standard.</p>	<p>The Shire does still need apply for a one off registration to the Department of Environment.</p>	<p>The Shire of Kent employed and environmental assessor from 360 Environmental to audit the system. The report was good with some changes required to satisfy the requirements. The Shire of Kent will re-apply for the registration with the details of the new effluent ponds in Nyabing.</p>	<p>No further action is required</p>
8	<p>Capital Expenditure Plan</p> <p>The Capital Expenditure Plan now identifies asset expenditures out to a four-year</p>	<p>As the assets come close to needing replacement, it is expected that these will be included in the capital</p>	<p>The capital expenditure plan is modified as required. A computer operated maintenance schedule will assist in ensuring</p>	<p>Being able to predict which assets will require spending would be itself an asset to the Shire. A maintenance program</p>

Item No	Description	Recommendation from Previous Audit	Action Taken	Further Recommendations
	plus time horizon. There is also a sewerage reserve fund that gets added to each year as part of the annual budget process	expenditure planning.	items that need replacement are added to the capital budget.	would enable the Shire to form the capital budget without expecting extreme fluctuations due to unforeseen problems or failures.

5 Reporting

The whole audit/review process was conducted as per the Economic Regulation Authority's *Audit Guidelines: Electricity, Gas and Water Licenses*, September 2006.

6 Key contacts

Shire of Kent	-	Alan Wright – CEO
Opus	-	Gary de Leeuw – Lead Auditor
Opus	-	Robert Westerberg – Auditor

7 Hours Utilised

Task No.	Audit & Review Task	Hours
1	Risk Assessment	2
2	Development and approval of Audit and Review Plan	16
3	Site Visit	8
4	Reporting and Follow-up	24
5	Submission of 1 st Draft	1
6	Review of Report with Secretariat's Comments	16
7	Review of Report with 2 nd Secretariat's comments	8
8	Submission of final report	1
	TOTAL	76

8 Post Audit Implementation Plan

Item No	Description	Action Required	Position Responsible	Date for Completion
1	<p>Asset Management System (Clause 17)</p> <p>While it is evident that maintenance is occurring and there is a maintenance schedule within the Asset Management Plan, there are no details on what level of maintenance was carried out.</p>	A maintenance recording and programming system be set up and utilised.	CEO, Works Manager	30 th November 2009
2	<p>Reviews of the Asset Management System</p> <p>It was evident that there have been no reviews on the asset management system during the previous audit period. The reviews must be carried out to ensure that the current system is still working for the Shire of Kent and to ensure that it is being utilised correctly.</p>	Conduct a review of the asset management system.	CEO, Works Manager	30 th November 2009
3	<p>Specific information to be provided</p> <p>The Shire of Kent provided the Schedule 3 report however the report was received on the 17th August 2007. This is beyond the allowed 30 days past the end of financial year</p>	Apply changes to the reporting systems to ensure all reports are delivered on time. Perhaps a reminder system within Microsoft Outlook that warns the Shire of Kent of upcoming deadlines.	CEO, Works Manager	31 st October 2009
4	<p>Obligations to public authorities and other Licensees</p> <p>The Shire of Kent currently does not hold a licence for the Nyabing ponds. The upgrades being made to the Nyabing ponds are a result</p>	Ensure that once the construction of the ponds is complete that the Shire of Kent applies for a new licence for the operation of the	CEO	On completion of construction of the new ponds in Nyabing.

Item No	Description	Action Required	Position Responsible	Date for Completion
	of an audit done by the Department of Environment. These upgrade will bring the ponds up to and beyond the requirements of the DoE.	Nyabing ponds.		
5	<p>Asset Planning</p> <p>The asset management system is operating at an acceptable level due to the size of the system and the fact that the Shire of Kent's population is not expected to grow within the next 5 years. The asset planning is done as part of the AMP. The AMP is an excellent document. The AMP is due for review as soon as possible.</p>	The Shire of Kent will need to conduct a review of the Asset Management Plan as soon as possible.	CEO	As soon as possible.
6	<p>Asset Disposal</p> <p>There have been no asset disposals during this audit period. The reviews of under utilised assets need to be conducted more frequently.</p>	The Shire of Kent to conduct a survey of underutilised or underperforming assets.	CEO, Works Manager	30 th November 2009
7	<p>Environmental Analysis</p> <p>The operating environment was audited by 360 Environmental during this audit period. Issues were outlined and these issues are currently being rectified.</p>	Once the new works construction is complete at the Nyabing ponds the Shire of Kent will require a review of the Asset Management System to encompass the new works.will also need to be obtain once construction is complete.	CEO	On completion of construction of the new ponds in Nyabing.
8	<p>Asset Maintenance</p> <p>Overall the maintenance of the asset is good however a more detailed maintenance plan</p>	It would make maintenance more efficient to form a more detailed maintenance plan other than what is in the AMP.	CEO, Works Manager	30 th November 2009

Item No	Description	Action Required	Position Responsible	Date for Completion
	would be necessary to ensure that maintenance is conducted at appropriate time gaps.			
9	<p>Asset Management Information System (MIS)</p> <p>It is recommended that the Shire of Kent have the asset management system moved into a format where it can be maintained and utilised easily by trained personnel. The current asset management system resides within a Microsoft Word format. Although the current system works for the Shire of Kent it would be much more useable in a spreadsheet format where reports and current conditions can be produced easily.</p>	Consider using the spreadsheets given to the Shire of Kent by the Authority for the asset management system.	CEO	30 th November 2009
10	<p>Review of Asset Management Plan</p> <p>The Asset Management Plan has been reviewed since the last audit and submitted to the Authority for approval. This occurred in 2006.</p> <p>The license stipulates that these reviews must occur no later than every 36 months.</p>	A review of the AMP is overdue. The Shire of Kent should schedule a review of this document within the next 3 months.	CEO	30 th November 2009
11	<p>Complaints Personnel</p> <p>Although there are no officers that are specifically allocated to do this, the CEO, Deputy CEO and the Works Manager are able to satisfy this condition.</p>	Officially allocate the personnel that can deal with complaints. This should be outlined within the customer charter.	CEO	30 th November 2009
12	<p>Operational Audit</p> <p>Operational audit conducted on site 29/07/2009. This is late and non compliant</p>	Ensure the next audit is completed and submitted to the Authority as required in the	CEO	Next audit

Item No	Description	Action Required	Position Responsible	Date for Completion
	with the Authority's requirements	guideline and license		
13	<p>Schedule 3 Report</p> <p>Provided the report late to the Authority dated 17th August 2007</p>	<p>The Shire of Kent need to make changes to reporting system to ensure reporting requirements are met on time. Using a program such as Outlook can bring to your attention any due dates for reports in the near future. Recommend that Outlook is utilised.</p>	CEO	30 th November 2009
14	<p>Operating Licenses</p> <p>Nyabing currently does not hold a licence however construction work is taking place to upgrade the ponds to meet requirements.</p>	<p>Apply for new licence when upgrades are complete.</p>	CEO	Once construction of the Nyabing ponds is complete.
15	<p>Complaints Register</p> <p>The Shire of Kent has a system in place for recording and managing customer complaints however there are no systems in place to ensure the customer's complaint is dealt with in the required time frame.</p>	<p>The Shire of Kent should set up a complaints system that ensure customer complaints are resolved within the time frame This may require the logging of the complaint in a computer based program and a reminder system to ensure this.</p>	CEO	30 th November 2009
16	<p>Customer Charter</p> <p>The customer charter was last reviewed in 2008 however the Charter or any summary document have not been sent to any customers.</p>	<p>Shire of Kent is required by the Authority to send a copy of the current charter to all customers once in every three year period.</p> <p>The Shire of Kent shall send the Charter to all current</p>	CEO	30 th November 2009

Item No	Description	Action Required	Position Responsible	Date for Completion
		customers for comment.		
17	<p>Capital Expenditure Budget</p> <p>The capital expenditure plan is modified as required. A computer operated maintenance schedule will assist in ensuring items that need replacement are added to the capital budget.</p>	<p>Being able to predict which assets will require spending would be itself an asset to the Shire. A maintenance program would enable the Shire to form the capital budget without expecting extreme fluctuations due to unforeseen problems or failures.</p>	CEO	30 th November 2009

9 Bibliography

- (a) Economic Regulation Authority, Water Services Licensing Act 1995 (WA) – Shire of Kent Operating License, August 2008
- (b) SMEC, *Shire of Kent 2005 Operational Audit and Asset Management System Review Final Report*, January 2006
- (c) Economic Regulation Authority, *Audit Guidelines: Electricity, Gas and Water Licenses*, September 2006
- (d) Australian Accounting Research Foundation , *Planning Performance Audits* , AUS 808, October 1995
- (e) Australian Accounting Research Foundation, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatements*, AUS 402, February 2004