

Shire of Denmark

**Operational Audit and
Asset Management System Review 2009
(Water Licence)**

**Final Report
December 2009**



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

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Executive Summary

INTRODUCTION

The Shire of Denmark (the Shire) has a water services licence issued by the Economic Regulation Authority (“the Authority”) to provide non-potable water supplies and services at Peaceful Bay under the Water Services Licensing Act 1995 (WA).

The system at Peaceful Bay services 203 leasehold customers and provides non-potable water to the leasehold holiday use lots, primarily for watering the gardens and toilet flushing. The assets consist of a production bore, storage dam, pumping station and high level pumps.

In accordance with Sections 36(1) and 37(1) of the Water Services Licensing Act 1995 (WA), the Shire is required to provide to the Authority an Operational Audit and Asset Management System Review of the Shire’s Water Services Operating Licence to cover the period 2 years from the previous audit date being 1 June 2007 to 31 May 2009.

The existing water licences were replaced with new standard form licences in August 2008. The Authority also developed a Water Compliance Reporting Manual (Reporting Manual) to accompany the new licences. The Reporting Manual consolidates all of the compliance reporting and performance reporting obligations for water licences into a single document.

Water licences now include a schedule setting out the service and performance standards applicable to the licence and a clause requiring licensees to provide data in accordance with the performance reporting obligations set out in the Reporting Manual. The current version of the Water Compliance Reporting Manual was released in March 2009.

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 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.

Our audit approach was based on the compliance obligations set out in the new standard form licence (Licence No 39, Version OL2 dated 15 May 2009), Water Compliance Reporting Manual and the Audit Guidelines issued by the Authority in 2006.

The audit/review 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/review covered the period from 1 June 2007 to 31 May 2009 inclusive.

CONCLUSION

Operational Audit

The audit reviewed the action taken on previous operational audit recommendations and noted that only one out of three previous audit recommendations has been completed. The outstanding issues concern:

- Not prominently displaying a copy of the Customer Service Charter in the Shire’s reception area; and

- No complaints register in place to record details of any customer complaint and its outcome (although we were advised there were no complaints received in the current audit period).

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 Denmark has complied with its Water Services Operating Licence performance and quality standards during the audit period 1 June 2007 to 31 May 2009 apart from one exception as noted below:

- Non-compliance with “Schedule 3 Clause 2.5 – Availability of Customer Service Charter to its customers” since the charter was not being prominently displayed in the Shire’s reception.

Other improvements identified concerned the following:

- Establish a Complaints Register in order to improve internal control over the recording and reporting of complaints;
- The Shire’s Complaint Procedure as outlined in the Customer Service Charter needs to be amended at the next charter review to include provision for compliance with the request for information from a Government body; and with the response times required for matters to be considered by a Local Governance Council;
- Provide a copy of the current Customer Charter to all customers;
- The Asset Management Plan needs to be updated to include required timeframes for notification of the asset management system changes to the Authority; and
- A Compliance Schedule needs to be developed and implemented listing all regulatory reporting events and timeframes to ensure regulatory timeframes are met.

The audit confirmed the Shire has complied with its performance reporting obligations for the periods 2006/07 and 2007/08.

Asset Management Review

The audit reviewed the action taken on previous asset management review recommendations and noted that four recommendations have been implemented, two recommendations partially implemented and one is still outstanding.

The outstanding issue concerns:

- Establishing management reports showing performance measures for the scheme (this has been delayed pending completion of upgrade works).

The partially completed issues concern:

- Producing a fully documented Asset Operations and Maintenance Manual; and
- Maintaining evidence of training in Asset Management, such as a Training Register.

For the audit period of 1 June 2007 to 31 May 2009, the asset management review concluded that effective asset management processes are operating and are well-defined with the exception of the areas of Asset Maintenance and Asset Management Information System. In particular:

- Develop an Asset Operations and Maintenance Manual; have the draft maintenance plans approved by the Shire Council and implement the planned maintenance schedule;

- Establish a Training Register as evidence of training, such as in asset management, being provided to staff; and
- Once the current upgrades are completed, the Environmental Health Officer should monitor service levels and report these to the Shire on a regular basis;

Several opportunities for further improvements have been recommended in the Post Audit Implementation Plan being:

- The review schedule for the Asset Management Plan should be followed (reviews since October 2008 have not been completed);
- Include the contact names and numbers for individuals involved in the contingency plans in the plans documented in the Asset Management Plan; and
- Update the Capital Expenditure section of the Asset Management Plan to include the current condition of assets and their impact on the planned expenditure.

POST AUDIT IMPLEMENTATION PLAN

The Post Audit Implementation Plan provides a summary of the issues and recommendations from the operational audit and asset management review with management responses from the Shire.

The Post Audit Implementation Plan has been developed by the audit team in consultation with the licensee and has been approved by the licensee.

SIGN-OFF

We confirm that the Authority's Audit Guidelines: Electricity, Gas and Water Licences 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

6 JANUARY 2010

Shire of Denmark

**Operational Audit and
Asset Management System Review 2009
(Water Licence)**

**Post Audit Implementation Plan
December 2009**

No.	Issue	Compliance /Effectiveness Rating	Recommendation	Management Response	Person Responsible & Completion Date
1.2	<p>Operational Audit & Asset Management System Review (Items 5 & 6, Clauses 17.3 & 16.1)</p> <p>The Shire is required to provide the Authority with an Operational audit and Asset Management System review within 24 months of commencement of the licence and then every 24 months after that.</p> <p>The Operational Audit and Asset Management System Review is now being undertaken but will not be completed within the prescribed time. An extension has been sought by the Shire.</p>	4	Note the Operational Audit and Asset Management System Review due dates in the compliance schedule to ensure regulatory timeframes are met.	<p>Dates will be logged in Council's corporate calendar and Director of Community and Regulatory Services calendar.</p> <p>Council will also seek to extend audit frequencies as the cost of audits represents approximately 30% of the cost of running the supply.</p>	<p>DCRS -March 2010</p> <p>DCRS - Dec 2010</p>
1.3	<p>Customer Complaints – Response Time (item 11 – Schedule 3 Clause 3.8)</p> <p>Response time for matters to be considered by a Local Government Council is not specifically stated in the Shire's Complaints Procedure as outlined in the Customer service Charter.</p>	3	The Shire's Complaints Procedure as outlined in the Customer Service Charter should be amended at the next Customer Service Charter review to include the provision that if a complaint is received for matter to be considered by a Local Government Council, the customer complaint will be resolved within 5 business days after the first ordinary Council meeting following the expiry of the 15 business day period.	<p>This is not required as the system is operated under delegated authority by the CEO and his delegates.</p> <p>The opportunity to address Council is provided by public question time.</p> <p>The Local Government stipulates that the CEO has responsibility for the operational matters associated with Council.</p>	<p>No further action needed</p> <p>No further action needed</p>
1.4	<p>Customer Complaints – Complaints Register (Item 12 – Schedule 3 Clauses 3.9(a))</p> <p>The Shire confirmed that there is no formal system currently in place to record the details of complaints. What is currently in place is a file where Director of Community & Regulatory Services keeps handwritten copies of any calls he receives and orders for work that</p>	3	<p>Each customer complaint received by the Shire and its outcome should be recorded in a Complaints Register in sufficient detail to be able to ascertain:</p> <ul style="list-style-type: none"> ▪ Date and time the complaint was received; 	<p>This will be provided when Council install "Synergy Soft" electronic records software.</p> <p>An electronic MS word table has been created as an interim.</p>	<p>DCRS - June 2010</p> <p>Resolved</p>

No.	Issue	Compliance /Effectiveness Rating	Recommendation	Management Response	Person Responsible & Completion Date
	<p>he writes out. The Shire confirmed that there were no complaints during the audit period.</p> <p>A Complaint Register should be developed and maintained by the Shire in order to improve internal control over the recording and reporting of complaints.</p>		<ul style="list-style-type: none"> ▪ 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. 		
1.5	<p>Customer Complaints – Requests for Information (item 17 & 18 – Schedule 3 Clause 3.6 and 3.7)</p> <p>The licensee must co-operate with the Department of Water's request for information concerning a disputed complaint.</p> <p>This is not specifically stated in the Shire's Complaints Procedure as outlined in the Customer Service Charter.</p>	3	<p>The Shire's Complaints Procedure as outlined in the Customer Service Charter should be amended at the next Customer Service Charter review to include the provision that if a request for information about a complaint is received from a Government body, this request will be complied with.</p>	<p>This is not required as Council already has a relationship with the ERA through its licencing arrangements and would provide information to them on request.</p> <p>Also this is of no material benefit to the customers of the supply and increases costs to them.</p>	No further action
1.6	<p>Customer Charter – Availability to Customers (item 24 – Schedule 3 Clause 2.5)</p> <p>The Shire Water Service Customer Charter is available on the Shire website or by contacting the Shire on a telephone number as printed in the Customer Charter. The Customer Charter was not displayed at the Shire Offices as per the previous audit's recommendation. The current Customer Charter has not been sent to customers to date.</p>	2	<p>The Shire to keep a copy of the Customer Service Charter on display in the Shire's reception area along with the other information brochures that are available for visitors.</p> <p>The Shire to send a current copy of the Customer Service Charter, or a summary document as approved by the Authority, to all customers.</p> <p>Note the licence requirement to send a current copy of the Customer Service Charter to all customers at</p>	<p>The Charter was available to customers at the front counter at the time of the audit via a computer monitor. A hard copy of the Charter has also been placed in the front reception area and at the Peaceful Bay Progress Association in Peaceful Bay.</p> <p>The previous charter was circulated to customers with a survey as part of its review processes.</p> <p>The current Charter will be sent to</p>	

No.	Issue	Compliance /Effectiveness Rating	Recommendation	Management Response	Person Responsible & Completion Date
			least once in every 3 year period in the compliance schedule to ensure regulatory timeframes will be met.	all customers. Charter will next be reviewed in 2011-2012. Dates will be logged in Council's corporate calendar and Director of Community and Regulatory Services' calendar.	DCRS -March 2010
1.7	Customer Charter – Review (Item 25 – Schedule 3 Clause 2.6) It is a requirement of the licence that the Customer Service Charter be reviewed every three years. It was noted that the Shire was later in submitting a revised Charter.	3	Note the timeframes required for review of the Customer Service Charter in the compliance schedule to ensure regulatory timeframes are met.	Dates will be logged in Council's corporate calendar and Director of Community and Regulatory Services' calendar.	DCRS - March 2010
1.8	Reporting (item 41 – Clause 18.1) Confirmed with the Shire staff that there has been no significant change to the circumstances upon which the licence was granted which may affect the licensee's ability to meet its obligations under the licence during the audit period. However, no internal processes are in place to ensure that the relevant reporting timeframes would be met in future.	4	Note the reporting requirements and their reporting timeframe in the compliance schedule to ensure regulatory timeframes will be met in case of a reporting event in future.	Dates will be logged in Council's corporate calendar and Director of Community and Regulatory Services' calendar.	DCRS - March 2010
2	Asset Management System Review				
2.1	Review of Asset Management Plan Plans should be regularly reviewed and updated. The AMP includes a section that describes how frequently the sections within the AMP are updated.	2	The parts of the AMP due for review in October 2008 and May 2009 should be reviewed and the AMP updated as required, once the current system upgrades are	Review requirements have been superseded by the replacement of most mechanical and electrical components associated with the supply and full maintenance	DCRS - Dec 2010

No.	Issue	Compliance /Effectiveness Rating	Recommendation	Management Response	Person Responsible & Completion Date
	<p>The AMP is dated July 2008. The Asset Condition and Performance was due to be reviewed in October 2008, and the following sections were due to be reviewed and/or updated in May 2009.</p> <ul style="list-style-type: none"> • Water Services Description; • Risk Assessment; • Capital Investment Plan; and • Contingency Plan and Incident Management. <p>These had not yet been reviewed at the date of the audit visit in October 2009 as they are waiting on completion of the upgrade which was delayed.</p>		complete.	<p>checks/ audits on all electrical components.</p> <p>Arrangements will however be reviewed.</p>	
2.2	<p>Asset Operations – Training</p> <p>No detailed training matrix exists for personnel conducting maintenance on the system. The Shire employs qualified tradespeople and provides familiarisation training on the equipment and system.</p>	1	The Shire should consider conducting a training needs analysis for each role involved with maintaining and operating the system. The training needs can then be used to ensure personnel employed by the Shire receive adequate training to perform their role.	Not needed as Director of Community and Regulatory Services is a trade certified mechanical fitter and Council has two mechanics. All three are trained in this area as part of their trade training.	No further action
2.3	<p>Operations and Maintenance Manual</p> <p>Interim maintenance policies / procedures are recorded in the AMP (Section 8). Detailed procedures are to be prepared in the Operations and Maintenance Manual for the Scheme (referenced in Section 8.7 and 8.8 of the AMP). The Maintenance Manual has not been produced.</p>	1	The Shire to finalise the Operations and Maintenance Manual for the system. The Manual is to detail all maintenance procedures required for the system and link these procedures to the service levels required.	Is not required given the level of training of the systems operators but will be produced.	DCRS - Dec 2010
2.4	<p>Asset Maintenance Inspections</p>	2	The Shire to implement the regular	The supply has been regularly	

No.	Issue	Compliance /Effectiveness Rating	Recommendation	Management Response	Person Responsible & Completion Date
	<p>Regular inspections should be undertaken of asset performance and condition.</p> <p>Inspections are scheduled. Information provided by the Director of Community & Regulatory Services indicates that not all scheduled inspections were undertaken during the reporting period "as our focus has been on the substantive maintenance, upgrade and repair program that has occurred in the last 12 months".</p>		<p>maintenance inspection schedule and ensure the schedule is completed.</p>	<p>inspected as part of the extensive maintenance that has been taken place over the last 12 months.</p> <p>A 3 monthly inspection can be put in place.</p>	<p>DCRS - June 2010</p>
2.5	<p>Maintenance Plans</p> <p>Maintenance plans (emergency, corrective and preventative) should be documented and completed on schedule.</p> <p>The Maintenance Plans are in draft form and require further review and approval by the Shire Council before they are implemented.</p>	2	<p>The Shire to finalise the Maintenance Plans and have the plans approved by the Council.</p>	<p>Maintenance Plans will be finalised and referred Council approval.</p>	<p>DCRS - Dec 2010</p>
2.6	<p>Management Reporting</p> <p>Currently there are no formal management reports produced for the Shire other than those required under the Authority's licence. There are defined service levels, but this information is not gathered yet.</p>	1	<ol style="list-style-type: none"> Once the current upgrades are complete, the Environmental Health Officer (EHO) should monitor service levels and report these to the Shire as appropriate. The AMP includes a number of performance measures on quality, 	<p>Monthly frequency is over reporting as this is a non potable water supply and all residences in the leasehold area have their own rain water supplies as ordered by the ERA.</p> <p>This reporting will go to the Director of Community and Regulatory Services on a three monthly basis together with the asset</p>	<p>DCRS – June 2010</p>

No.	Issue	Compliance /Effectiveness Rating	Recommendation	Management Response	Person Responsible & Completion Date
			availability, pressure and storage capacity. This information should be collected monthly and reported to the CEO along with details on any incidents or complaints reported during the month.	maintenance inspection.	
2.7	<p>Contingency Plan</p> <p>The AMP contains contingency plans for various threats to the system. The plan was reviewed in July 2008. Due to the simplicity of the system and the key people involved in the operation of the system being aware of the contingency plans, further testing of the system is not warranted.</p> <p>Currently, the plan does not include the names and contact numbers of the individuals mentioned in the plan. This would enable it to be a more usable plan.</p>	3	More details such as names and contact numbers for the individuals involved in the contingency plan should be included in the plan.	More detailed contact information will be included in the contingency plan.	DCRS - Dec 2010
2.8	<p>Capital Expenditure Plan</p> <p>A capital expenditure plan has been prepared (Section 9 of the AMP). The Environmental Health Officer and Director of Community & Regulatory Services have responsibility for preparing the Capital Expenditure Plan. Capital expenditure and timing is based solely on the estimated life of the asset provided by the manufacturer.</p>	3	The Shire to update the Capital Expenditure Plan outlined in section 9 of the AMP to include information on the current condition of the asset and ensure the plan is consistent with the expected operating condition of the equipment.	The asset management plan will be amended to include this detail.	DCRS - Dec 2010

Shire of Denmark

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Asset Management System Review 2009
(Water Licence)**

**Detailed Report
- Introduction
December 2009**

1. Background

The Shire of Denmark (the Shire) has a water services licence issued by the Economic Regulation Authority (“The Authority”) to provide non-potable water supplies and services at Peaceful Bay under the Water Services Licensing Act 1995 (WA).

The system at Peaceful Bay services 203 leasehold customers and provides non-potable water to the leasehold holiday use lots, primarily for watering the gardens and toilet flushing. The assets consist of a production bore, storage dam, pumping station and high level pumps.

In accordance with Sections 36(1) and 37(1) of the Water Services Licensing Act 1995 (WA), the Shire is required to provide to the Authority an Operational Audit and Asset Management System Review of the Shire’s Water Services Operating Licence to cover the period 2 years from the previous audit date being 1 June 2007 to 31 May 2009.

The existing water licences were replaced with new standard form licences in August 2008. The Authority also developed a Water Compliance Reporting Manual (Reporting Manual) to accompany the new licences. The Reporting Manual consolidates all of the compliance reporting and performance reporting obligations for water licences into a single document.

Water licences now include a schedule setting out the service and performance standards applicable to the licence and a clause requiring licensees to provide data in accordance with the performance reporting obligations set out in the Reporting Manual. The current version of the Water Compliance Reporting Manual was released in March 2009.

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

Our audit approach was based on the compliance obligations set out in the new standard form licence (Licence No 39, Version OL2 dated 15 May 2009), Water Compliance Reporting Manual and the Audit Guidelines issued by the Authority in 2006 and is outlined below.

2. Audit/Review 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 period 1 June 2007 to 31 May 2009 in respect of 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.

The audit reviewed the status of the previous audit recommendations from the previous audit and also identified areas where improvement is required based on the current audit period.

2.1.2 Asset Management Review

The Water services License requires the Shire to provide for and maintain an asset management system. 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 is to include an assessment of the adequacy and effectiveness of the asset management system for the period 1 June 2007 to 31 May 2009 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 audit reviewed the status of the previous audit recommendations from the previous audit and also identified areas where improvement is required based on the current audit period.

2.2 Audit Period and Timing

The audit covered the period 1 June 2007 to 31 May 2009 inclusive. The audit was conducted from 21 September 2009 to 23 October 2009.

2.3 Licensee's Representatives participating in the Audit

Gregg Harwood Director of Community & Regulatory Services (DCRS)

2.4 Key Documents Examined

- Shire of Denmark Operating Licence, (39, version OL2), dated 15 May 2009;
- Shire of Denmark - Audit Report, Operational Audit and Asset Management Review, Peaceful Bay - Non-Potable Water Supply, dated 28 August 2007;
- Shire of Denmark Strategic Plan, dated 28 February 2006;
- Shire of Denmark Annual Report to 30 June 2007;
- Shire of Denmark Annual Report to 30 June 2008;
- Shire of Denmark "Plan for the Future" 2007 to 2011;
- Shire of Denmark Municipal Budget 2009;
- Shire of Denmark Policy Manual, updated 28 July 2009;
- Shire of Denmark License Map;
- Shire of Denmark Asset Register;
- Bore location description;
- Customer Service Charter, dated February 2009;
- Decision on the Shire of Denmark's application for a non-potable water supply operating licence, dated February 2005;
- Decision on the Shire of Denmark's Application for Renewal of Non-Potable Water Supply Operating Licence No.39, dated 1 June 2006;
- Performance Reports to ERA for 2007/2008 and 2008/2009;
- Peaceful Bay Non Potable Water Supply 2008 – 2009 Asset Management Plan;
- 2008 Customer Satisfaction Survey and Results;
- Three year Expenditure / Action Plan (July 2008);
- Three year Expenditure / Action Strategy; and
- Correspondence and Operations files as requested.

2.5 Compliance Ratings

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

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 of internal controls to maintain compliance
COMPLIANT	3	Compliant with major or material recommendations to improve the strength of internal controls to maintain compliance
NON-COMPLIANT	2	Does not meet minimum requirements
SIGNIFICANTLY NON-COMPLIANT	1	Significant weaknesses and/or serious action required

2.6 Effectiveness Ratings

The effectiveness of key processes in the asset management system was assessed using the following effectiveness ratings.

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

2.7 Audit Team and Hours

CONSULTANT	POSITION	HOURS
Geoff White	Director	5
Shane Gallagher	Manager	12
Andrea Stefkova	Senior Consultant	13
Chris Hopkins (SMEC)	Team Leader	18
Josh Levett (SMEC)	Senior Environmental Scientist	
	Total	48

We included in our team, SMEC, to perform a technical review of the following sections of the review of the Asset Management System:

- environmental analysis;
- asset maintenance;
- asset operations; and
- capital planning requirements.

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3. Operational Audit

The preliminary risk assessment included in the Audit Plan was reviewed and updated in the course of the audit and a compliance rating using the scale in Section 2.5 was assigned to each obligation under the licence, as shown in Section 3.1. Section 3.2 provides details of the current status of key recommendations from the previous audit. Section 3.3 provides further details of the systems and the compliance assessment for each obligation.

3.1 Summary of Compliance Ratings

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

Operating area	Operating Licence reference (Cl.=clause, Sch.=schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (Low, Medium, High)	Adequacy of existing controls (S=strong, M=moderate, W=weak)	Compliance Rating (1=significantly non-compliant, 2=non-compliant, 3=compliant, 4=compliant, 5=compliant)				
						1	2	3	4	5
LICENCE COMPLIANCE REQUIREMENTS – WATER SERVICES LICENSING ACT 1995										
Water Services Licensing Act Section 32 (1) (a)		2	C	Medium	Strong					✓
Water Services Licensing Act Section 33	Cl.19	N/A	N/A	N/A	N/A					
Water Services Licensing Act Section 36 (1) (a)	Cl.17.1	2	B	Medium	Strong					✓
Water Services Licensing Act Section 36 (1) (b)	Cl.17.2	2	B	Medium	Moderate				✓	
Water Services Licensing Act Section 36 (1) (c)	Cl.17.3	2	B	Medium	Moderate			✓		
Water Services Licensing Act Section 37 (1)	Cl.16.1	2	B	Medium	Moderate			✓		
Water Services Licensing Act Section 38 (2)	Cl.20.1	2	B	Medium	Strong					✓
LICENCE COMPLIANCE REQUIREMENTS – WATER COORDINATION REGULATIONS 1996										
Water Services Coordination Regulations Section 2	Cl.4.1	N/A	N/A	N/A	N/A					
LICENCE COMPLIANCE REQUIREMENTS – LICENCE CONDITIONS										
Customer Complaints	Cl.6.1	2	B	Medium	Moderate			✓		
	Sch.3(3.1)	2	B	Medium	Moderate				✓	
	Sch.3(3.8)	2	B	Medium	Moderate			✓		
	Sch.3(3.9 (a))	2	B	Medium	Moderate			✓		
	Sch.3(3.9 (b))	2	B	Medium	Strong					✓
	Sch.3(3.9 (c))	2	B	Medium	Moderate				✓	
	Sch.3(3.2 (d))	N/A	N/A	N/A	N/A					
	Sch.3(3.4)	2	B	Medium	Strong					✓
	Sch.3 (3.10)	2	B	Medium	Strong					✓
	Sch.3(3.6)	2	B	Medium	Moderate			✓		
Sch.3(3.7)	2	B	Medium	Moderate			✓			
Customer Service Charter	Cl.7.1	2	C	Medium	Strong					✓
	Sch.3(2.1)	2	C	Medium	Strong					✓
	Sch.3(2.2)	2	C	Medium	Strong					✓
	Sch.3(2.3)	2	C	Medium	Strong					✓

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)				
						1	2	3	4	5
	Sch.3(2.4)	2	C	Medium	Strong					✓
	Sch.3(2.5)	2	C	Medium	Weak		✓			
	Sch.3(2.6)	2	C	Medium	Moderate			✓		
	Sch.3(2.7)	2	C	Medium	Moderate				✓	
Customer Consultation	Cl.8	2	C	Medium	Strong					✓
	Sch.3(4.1)	2	C	Medium	Strong					✓
	Sch.3(4.2)	2	C	Medium	Strong					✓
	Sch.3(4.3)	N/A	N/A	N/A	N/A					
	Sch.3(4.4)	N/A	N/A	N/A	N/A					
	Sch.3(4.5)	N/A	N/A	N/A	N/A					
	Sch.3(4.6)	2	C	Medium	Strong					✓
	Customer Contracts	Sch.3(5.1)	N/A	N/A	N/A	N/A				
Sch.3(5.4)		N/A	N/A	N/A	N/A					
Customer Survey	Sch.3(6.1)	2	C	Medium	Strong					✓
Memorandum of Understanding	Cl.9	N/A	N/A	N/A	N/A					
Accounting Records	Cl.15.1	2	C	Medium	Strong					✓
Operational Audit	Cl.16.2	2	B	Medium	Strong					✓
Asset Management System Review	Cl.17.4	2	B	Medium	Strong					✓
Reporting	Cl.18.1	2	C	Medium	Moderate				✓	
Provision of Information	Cl.21.1	N/A	N/A	N/A	N/A					
	Cl.21.2	2	C	Medium	Moderate				✓	
Publishing Information	Cl.22.2 & 22.4	N/A	N/A	N/A	N/A					
Other Provisions	Sch.6(2.1)	2	C	Medium	Strong					✓
	Sch.6(2.2)	2	C	Medium	Moderate				✓	
	Sch.6(2.3)	N/A	N/A	N/A	N/A					
	Sch.6(3.1)	3	C	High	Strong					✓

3.2 Previous Audit Recommendations

The status of the key recommendations in the previous audit report dated August 2007 is summarised below.

Item no.	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
1.1	Customer Charter Schedule 3, Clause 2.5(a)	The licence requires the licensee to prominently display the customer service charter in an area of their offices that their customers regularly have access to. A copy of the charter was not visible during the audit visit.	3	The Shire to keep a copy of the Customer Service Charter on display in the Shire's reception area along with the other information brochures that are available for visitors.	<i>Above and beyond this requirement, a copy is sent out annually to all leaseholders, however, a copy can also be displayed at Shire Office.</i> <i>Engineering Technical Officer (ETO)</i> <i>30 September 2007</i>	No copy was on display at the Shire Office. <i>Refer recommendation 1.6 in the Post-Audit Implementation Plan.</i>	Outstanding
1.2	Annual Performance Reporting	The Licensee is required to report on the information set out in Schedule three of their licence. The reports are due within 30 days of the end of each financial year. The last report that was sent to the ERA was sent on the	4	The Shire should ensure the reports are received by the Authority within 30 days of the end of the financial year and also include the energy cost in kW.	<i>Noted, this year's report (2006-07) sent within 30 days of end of financial year.</i> <i>ETO</i> <i>Ongoing</i>	It was noted that the Shire's 2006/07 Schedule 3 Report dated 17 July 2007 and the 2007/2008 Schedule 3 Report dated 31 July 2008 were submitted to the Authority on time.	Completed

Item no.	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
		14th of August 2006. Also the energy cost in kW was not reported on for the year as per the licence requirements.					
1.3	Emergency Telephone Service Schedule 4, Clause 1.1	The licensee is currently unable to show compliance with the requirement to take action within one hour of receiving an emergency call.	N/A	The complaints register be updated to include details on the time the call received and the time that action was taken.	<i>This is Peaceful Bay, not the metropolitan area. Plumbers / Electricians are hard enough to get without putting a 1 hour response time. We will do the best we can, generally we can comply.</i> ETO Ongoing	Audit was advised that no complaints were received for 2007/08 or 2008/09. There is no formal Complaints Register should complaints be received. <i>Refer recommendation 1.4 in the Post-Audit Implementation Plan.</i>	Outstanding

3.3 Audit Results and Recommendations

No	Obligation Under	Licence Condition	Description	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)
LICENCE COMPLIANCE REQUIREMENTS – WATER SERVICES LICENSING ACT 1995						
1	Water Services Licensing Act Section 32 (1) (a)		The licensee must provide the water service.	4	The audit confirmed that the Shire provides non-potable water services in the operating area of Peaceful Bay (Plan No. OWR-OA-294) in the accordance with its Water Services Operating Licence	5
2	Water Services Licensing Act Section 33	Clause 19	The Licensee must achieve prescribed standards as defined in the regulations.		No individual performance standards were prescribed in relation to the licensee by the Authority.	N/A
3	Water Services Licensing Act Section 36 (1) (a)	Clause 17.1	The Licensee must have an Asset Management System (AMS) in respect to the licensed activity.	4	The Shire has an AMS that it runs itself. This is documented in an Asset Management Plan dated July 2008.	5
4	Water Services Licensing Act Section 36 (1) (b)	Clause 17.2	The Licensee must notify the Authority of any changes to the Asset Management System.	4	The Shire's AMP was updated in July 2008. The AMP contains a schedule in the Review Procedures that shows the frequency with which the sections in the AMP should be reviewed. However, the audit noted that the requirement to notify any changes to	4

No	Obligation Under	Licence Condition	Description	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (1,2 = non-compliant 3,4,5 = compliant refer 2.5)
					<p>the system to the Authority is not stated in the AMP's review procedures.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> Update the Review Procedures section of the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within the required timeframe. Develop and implement a compliance schedule and note the required timeframes for the notification of the asset management system changes to the Authority to ensure regulatory timeframes are met. The compliance schedule will also help to meet regulatory timeframes by replacement staff if current staff were unavailable. <i>(Post Audit Implementation Plan item 1.1)</i> 	
5	Water Services Licensing Act Section 36 (1) (c)	Clause 17.3	The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an independent expert report, acceptable to the Authority, on the effectiveness of the Asset Management System.	4	<p>The Asset Management System Review is now being undertaken but will not be completed within the prescribed time. An extension has been sought by the Shire.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Note the Asset Management System Review due dates in the compliance schedule to ensure regulatory timeframes are met. <i>(Post Audit Implementation Plan item 1.2)</i> 	3
6	Water Services Licensing Act Section	Clause 16.1	The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an	4	<p>The Operational audit is now being undertaken but will not be completed within the prescribed time. An extension has been sought by the Shire.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Note the Operational Audit due dates in the compliance schedule to 	3

No	Obligation Under	Licence Condition	Description	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)
	37 (1)		operational audit conducted by an independent expert, acceptable to the Authority.		<i>ensure regulatory timeframes are met. (Post Audit Implementation Plan item 1.2)</i>	
7	Water Services Licensing Act Section 38 (2)	Clause 20.1	The Licensee must comply with the service and performance standards as set out in Schedule 4.	3	Performance reporting prepared by the Shire indicate that they were compliant with the performance standards. Audit sighted the Shire's 2006/07 Schedule 3 Report, 2007/08 Schedule 3 Report and Water Compliance Manual Datasheets for 2008/09 as completed by the Shire.	5
LICENCE COMPLIANCE REQUIREMENTS – WATER COORDINATION REGULATIONS 1996						
8	Water Services Coordination Regulations Section 2	Clause 4.1	The licensee must pay the applicable fees in accordance with the regulations.	5	The Licence commenced on 30 May 2005 and is valid until 2031.	N/A
LICENCE COMPLIANCE REQUIREMENTS – LICENCE CONDITIONS						
9	N/A	Clause 6.1	The licensee must establish a customer complaints process as set out in Schedule 3.	4	To sum up, the Shire's 'Customer Service Charter for Water Supply Services', dated February 2009 outlines the Emergency Assistance (section 1.8) and the Complaint Procedure (section 2.7). The Shire confirmed that there were no complaints received during the reporting period, but if there were, there is no formal system currently in place to record the details of complaints.	3

No	Obligation Under	Licence Condition	Description	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)
					Also, the Shire's Complaints Procedure as outlined in the Customer Service Charter should be amended at the next Customer Service Charter review to include all the provisions set out in Schedule 3 which are currently not being mentioned in the Charter (as noted below).	
10	N/A	Schedule 3 Clause 3.1	The licensee must have in place a properly resourced process for effectively receiving, recording and, (where possible), resolving customer complaints within a timeframe of 15 business days.	3	<p>The Shire's 'Customer Service Charter for Water Supply Services', dated February 2009 states that complaints to be responded to in two working days and a written reply if required within five working days.</p> <p>The Charter also recognises that complaints must be dealt with by the Shire within 15 business days.</p> <p>There were no complaints during the audit period, but if there were it would have been difficult without proper records to determine if the timeframes were being met.</p>	4
11	N/A	Schedule 3 Clause 3.8	The licensee must resolve customer complaints with 15 business days of the receipt of complaint or for matters to be considered by a Local Government Council within 5 business days after the first ordinary Council meeting following the 15 business day period.	4	<p>Response time for matters to be considered by a Local Government Council is not specifically stated in the Shire's Complaints Procedure set out in the Customer Service Charter.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> The Shire's Complaints Procedure as outlined in the Customer Service Charter should be amended at the next Customer Service Charter review to include the provision that if a complaint is received for matter to be considered by a Local Government Council, the customer complaint will be resolved within 5 business days after the first ordinary Council meeting following the expiry of the 15 business day period. (Post Audit Implementation Plan item 1.3) 	3
12	N/A	Schedule 3 Clause 3.9	The licensee must, as a minimum, record details of each	4	The Shire confirmed that there is no formal system currently in place to record the details of complaints. What is currently in place is a file where	3

No	Obligation Under	Licence Condition	Description	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)
		(a)	customer complaint and its outcome.		<p>Director of Community & Regulatory Services keeps handwritten copies of any calls he receives and orders for work that he writes out. The Shire confirmed that there were no complaints during the audit period.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ Each customer complaint received by the Shire and its outcome should be recorded in a Complaints Register in sufficient details 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>(Post Audit Implementation Plan item 1.4)</i></p>	
13	N/A	Schedule 3 Clause 3.9 (b)	The licensee must provide one trained staff who is authorised or has access to another officer who is authorised to make necessary decisions to respond to complaints.	4	Frontline staff are trained to deal with initial inquiries in person or on the phone. The Principal Environmental Health Officer, his supervisor the Director of Community and Regulatory Services and the overall supervisor all are authorised to deal with complaints and authorise maintenance on the system. The Customer Service Charter invites the complainant to refer the matter to the CEO if they are not happy with the outcome.	5

No	Obligation Under	Licence Condition	Description	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)
	N/A	Schedule 3 Clause 3.9 (c)	The licensee must make all necessary arrangements to ensure that if possible complaints can be resolved in the timeframes set out in sub-clause 3.8.	4	There were no complaints during the audit period, but if there were it would have been difficult without proper records to determine if the timeframes were being met.	4
14	N/A	Schedule 3 Clause 3.2	Not applicable	N/A	Not applicable.	N/A
15	N/A	Schedule 3 Clause 3.4	Where a dispute has not been resolved within 15 business days, the licensee must inform the customer of the option of referring their complaint to the Department of Water.	4	This requirement is included in the Shire's ' <i>Customer Service Charter for Water Supply Services</i> ', dated February 2009. There were no complaints during the audit period.	5
16	N/A	Schedule 3 Clause 3.10	The licensee must inform the customer of the option to refer a disputed complaint to the Department of Water unless the complaint is a matter that relates to section 3.22 of the <i>Local Government Act 1995</i> .	4	This requirement is included in the Shire's ' <i>Customer Service Charter for Water Supply Services</i> ', dated February 2009. There were no complaints during the audit period.	5
17	N/A	Schedule 3 Clause 3.6	The licensee must co-operate with the Department of Water's request for information concerning a disputed complaint.	4	This is not specifically stated in the Shire's Complaints Procedure as outlined in the Customer Service Charter. Recommendation: <ul style="list-style-type: none"> ▪ The Shire's Complaints Procedure as outlined in the Customer 	3

No	Obligation Under	Licence Condition	Description	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)
					Service Charter should be amended at the next Customer Service Charter review to include the provision that if a request for information about a complaint is received from a Government body, this request will be complied with. (Post Audit Implementation Plan item 1.5)	
18	N/A	Schedule 3 Clause 3.7	The licensee must, on request, provide complaints details to the Department of Water.	4	<p>This is not specifically stated in the Shire's Complaints Procedure as outlined in the Customer Service Charter.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> The Shire's Complaints Procedure as outlined in the Customer Service Charter should be amended at the next Customer Service Charter review to include the provision that if a request for information about a complaint is received from a Government body, this request will be complied with. (Post Audit Implementation Plan item 1.5). 	3
19	N/A	Clause 7.1	The licensee must establish a Customer Service Charter as set out in Schedule 3.	4	Audit sighted the Shire's 'Customer Service Charter for Water Supply Services', dated February 2009 and an 'Approval of Shire of Denmark Customer Service Charter' by the Authority, dated 3 March 2009.	5
20		Schedule 3 Clause 2.1	The licensee must have in place a customer service charter that accords with the Authority's review guidelines.		Audit sighted the Authority's <i>Approval of Shire of Denmark Customer Service Charter</i> , dated 3 March 2009. From this document, the Authority confirmed, that the principles, terms and conditions, as set out in the Charter, are generally consistent with relevant legislation and licence requirements.	5
21		Schedule 3 Clause 2.2	The customer service charter should be drafted in 'plain English' and should address all of the service issues that are		Audit sighted the Authority's <i>Approval of Shire of Denmark Customer Service Charter</i> , dated 3 March 2009. From this document, the Authority confirmed, that the accessibility of charter is generally sound and that the charter is generally consistent with licence provision in covering all of the	5

No	Obligation Under	Licence Condition	Description	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)
			reasonably likely to be of concern to its customers.		service issues likely to be of concern to the Shire of Denmark's customers.	
22		Schedule 3 Clause 2.3	Different parts of the customer service charter may be expressed to apply to different classes of customers.		The charter applies to all customers.	5
23		Schedule 3 Clause 2.4	Any proposed amendment to the customer service charter must be forwarded to the Authority for approval.		The most recent Customer Service Charter is dated February 2009. The Shire indicated that this was the latest copy and that there have been no further amendments.	5
24	N/A	Schedule 3 Clause 2.5	The licensee must make the Customer Service Charter available to its customers.	3	<p>The Shire's Customer Service Charter is available on the Shire website or by contacting the Shire on a telephone number as printed in the Charter. The Charter was not displayed at the Shire Offices as per the previous audit's recommendation. The current Charter has not been sent to the customers to date..</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ The Shire to keep a copy of the Customer Service Charter on display in the Shire's reception area along with the other information brochures that are available for visitors. ▪ The Shire to send a current copy of the Customer Service Charter, or a summary document as approved by the Authority, to all customers. ▪ Note the licence requirement to send a current copy of the Customer Service Charter to all customers at least once in every 3 year period in the compliance schedule to ensure regulatory timeframes would 	2

No	Obligation Under	Licence Condition	Description	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)
					<i>be met. (Post Audit Implementation Plan item 1.6)</i>	
25	N/A	Schedule 3 Clause 2.6	The licensee must review its Customer Service Charter at least once in every three year period.	4	<p>The revised Shire's 'Customer Service Charter for Water Supply Services' was approved by the Authority on 3 March 2009. IT was noted that the Shire was late in submitting a revised charter..</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Note the timeframes required for review of the Customer Service Charter in the compliance schedule to ensure regulatory timeframes are met.. (Post Audit Implementation Plan item 1.7) 	3
26	N/A	Schedule 3 Clause 2.7	The licensee must provide its services consistent with its Customer Service Charter.	4	The audit concluded that the Shire is providing its services consistent with the Customer Service Charter.	4
27	N/A	Clause 8	The licensee must establish customer consultation processes as set out in Schedule 3.	4	The Shire has established an annual stakeholder consultation process including an annual customer survey. Audit met with representatives of the two main stakeholders who were able to provide feedback on the current operations.	5
28	N/A	Schedule 3 Clause 4.1	The licensee may either establish a Customer Council or institute at least 2 of the following: establish a regular meeting; publish a newsletter or run other public forums, concerning the licensed	4	<p>The Shire consults with the Peaceful Bay Progress Association Committee and the Caravan Park Lessee, including formally on an annual basis. The Association is not a Customer Council in terms of the licence definition but is a representative of the customers. Meetings are open to all customers.</p> <p>The Shire conducts direct mailing to customers on any documents requiring review (eg Customer Charter) and any proposed changes to</p>	5

No	Obligation Under	Licence Condition	Description	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)
			activities.		the Scheme. The Shire also includes items in the Association's newsletter and the Shire newsletter.	
29	N/A	Schedule 3 Clause 4.2	The licence must consult the Authority on the type and extent of consultation to be adopted by the licensee.	4	Audit sighted the Authority's 'Approval of Shire of Denmark Customer Service Charter', dated 3 March 2009. From this document, the Authority confirmed, on the basis of information provided, that the Shire undertook a reasonable level of public consultation with regard to the Customer Service Charter review.	5
30	N/A	Schedule 3 Clause 4.3	The licensee must, if at the request of the Authority, establish other forums for consultations, to enable community involvement in issues relevant to licence obligations.	4	No request has been made over the last reporting period. Therefore deemed compliant.	N/A
31	N/A	Schedule 3 Clause 4.4	Not applicable	N/A	Not applicable.	N/A
32	N/A	Schedule 3 Clause 4.5	The licensee must prior to making a major change to the operation of a water service hold a public meeting and seek written submissions.	4	There have been no major changes to operations during the audit period.	N/A
33	N/A	Schedule 3 Clause 4.6	The licensee must allow customers to raise matters of concern regarding Council public question time in accordance with the <i>Local Government Act 1995</i> .	4	Every Council meeting has a public question time as does Council's committees. Audit sighted Shire's Guidelines for Public Question Time & Deputations. Audit also sighted a sample of Shire's minutes of ordinary meetings of Council held 18 December 2007 and 22 September 2009 and confirmed	5

No	Obligation Under	Licence Condition	Description	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)
					that public question time was provided.	
34	N/A	Schedule 3 Clause 5.1	The licensee may enter into an agreement with a customer to provide water services that may exclude, modify or restrict the terms of the licence.	4	As confirmed by the Shire, no agreements were entered into with a customer to provide water services that exclude, modify or restrict the terms of the licence.	N/A
35	N/A	Schedule 3, Clause 5.4	The licensee must publish a report annually that includes the specified information	4	As confirmed by the Shire, no agreements were entered into with a customer to provide water services that exclude, modify or restrict the terms of the licence.	N/A
36	N/A	Schedule 3 Clause 6	The licensee must conduct a customer survey if directed to by the Authority.	4	No request has been made in this reporting period. However, the Shire has established an annual stakeholder consultation process which includes an annual customer survey.	5
37	N/A	Clause 9	The licensee must enter into a MoU with the Department of Health (DoH).	N/A	Clause 9 is not applicable.	N/A
38	N/A	Clause 15.1	The licensee must maintain accounting records.	5	Each year the Shire of Denmark prepares a comprehensive Annual Report for the whole of the Shire, which is independently audited by a certified auditor. Audit sighted the Shire's Financial Report for the year ended 30 June 2008 including an Independent Audit Report that confirmed the financial reports are in accordance with the Local Government Act, the Local Government Financial Management Regulations, applicable Accounting Standards and other mandatory professional reporting requirements and represent fairly the financial position of the Shire of Denmark as at 30 June 2008 and the results of its operations and cashflow for the year	5

No	Obligation Under	Licence Condition	Description	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)
					ended on that date.	
39	Water Services Licensing Act Section 37	Clause 16.2	The licensee must comply and require the licensee's auditor to comply with the Authority's Standard Audit Guidelines, minimum requirements regarding appointment of the auditor, scope of audit, conduct of the audit and reporting of the audit.	4	The Shire's ' <i>Audit Plan Water Services Operating Licence Operational Audit and Asset Management System Review</i> ', dated 24 September 2009, stipulates compliance requirements on auditors.	5
40	Water Services Licensing Act Section 36	Clause 17.4	The licensee must comply and require the licensee's expert to comply with the Authority's Standard Guidelines dealing with the asset management system review including, minimum requirements, regarding appointment of the expert reviewer, scope of review conduct of the review and reporting of the outcomes of the review.	5	The Shire's ' <i>Audit Plan Water Services Operating Licence Operational Audit and Asset Management System Review</i> ', dated 24 September 2009, stipulates compliance requirements on auditors.	5
41	N/A	Clause 18.1	The licensee must report to the Authority if it is under external administration within 2 business days or significant change in its financial or technical circumstances within 10	4	Confirmed with the Shire staff that there has been no significant change to the circumstances upon which the licence was granted which may affect the licensee's ability to meet its obligations under the licence during the audit period. However, no internal processes are in place to ensure that the relevant reporting timeframes would be met in case of reporting event occurring.	4

No	Obligation Under	Licence Condition	Description	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)
			business days.		<p>Recommendation:</p> <ul style="list-style-type: none"> Note the reporting requirements and their reporting timeframe in the compliance schedule to ensure regulatory timeframes would be met in case of reporting event occurring. (Post Audit Implementation Plan item 1.8) 	
42	N/A	Clause 21.1	The licensee must provide any information the Authority may require in connection with its functions under the Act.	3	The Shire confirmed that the Authority did not request any more information during the audit period.	N/A
43	N/A	Clause 21.2	The licensee must comply with the information reporting requirements as set out in Schedule 5.	3	<p>In accordance with the 'Water Compliance Reporting Manual', dated March 2009, the Shire is required to provide their annual performance reports to the Authority no later than 31 July (licensees who are not subject to the Urban Framework or the Rural Framework) for the reporting year ending 30 June, commencing from 31 July 2009. This is outside the audit period, and therefore the Shire's 2008/09 Performance Report will not be considered for the purpose of this clause.</p> <p>It was noted that the Shire's 2006/07 Schedule 3 Report dated 17 July 2007 and the 2007/2008 Schedule 3 Report dated 31 July 2008 were submitted to the Authority on time.</p> <p>The Shire is also required to submit to the Authority a compliance report in respect of their Type 1 and Type 2 licence obligations. The first report, covering the 12 months to 30 June 2009, is to be provided to the Authority on or before 31 August 2009. This is outside of the audit period and compliance with this reporting requirement should be considered in</p>	4

No	Obligation Under	Licence Condition	Description	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)
					the next operational audit.	
44	N/A	Clause 22.2 and 22.4	The licensee must publish relevant information directed to do so by the Authority within the specified timeframe.	4	The Shire has confirmed that no directions for publication have been received from the Authority. If directed, any such information would be published on the Shire's website.	N/A
45	N/A	Sch.6(2.1)	The licensee must set out in writing its 'conditions of connection' and make that information available to all applicants for connection and to people inquiring about connection.	3	Conditions of connections are outlined in the Shire's ' <i>Customer Service Charter for Water Supply Services, February 2009</i> '. There were no new connections during the audit period.	5
46	N/A	Sch.6(2.2)	The licensee must ensure that its services are available for connection on request to any land situated in the Operating Areas, subject to the applicant meeting any conditions the licensee may determine to ensure safe, reliable and financially viable supply of services to land in the Operating Areas in accordance with this licence and any Water Acts. Satisfactory compliance with the conditions of connection is to be taken as forming an essential	3	Conditions of connections are outlined in the Shire's ' <i>Customer Service Charter for Water Supply Services, February 2009</i> '. As confirmed by Shire staff, there were no new connections during the audit period and no requests for connection were refused during the audit period. Therefore deemed compliant.	4

No	Obligation Under	Licence Condition	Description	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)
			requirement of gaining approval for connection to the licensee's schemes.			
47	N/A	Sch.6(2.3)	The licensee may, with the written agreement of the property owner, discontinue a service to a property where the servicing of the property is not commercially viable.	4	As confirmed by Shire staff, no disconnection of a service has taken place during the audit period.	N/A
48	N/A	Sch.6(3.1)	The licensee will erect and maintain a warning sign at Peaceful Bay public toilet and showers facility(s).	2	Signs observed.	5

3.4 Integrity of Performance Reporting

In accordance with the *'Water Compliance Reporting Manual'*, dated March 2009, the Shire is required to provide their annual performance reports to the Authority no later than 31 July (licensees who are not subject to the Urban Framework or the Rural Framework) for the reporting year ending 30 June, commencing from 31 July 2009. This is outside the audit period, and therefore the Shire's 2008/09 Performance Report was not considered for the purpose of this clause.

Nevertheless, the audit confirmed that the Shire has complied with its performance reporting obligations for 2006/07 and 2007/08.

The Shire is also required to submit to the Authority a compliance report in respect of their Type 1 and Type 2 licence obligations. The first report, covering the 12 months to 30 June 2009, is to be provided to the Authority on or before 31 August 2009. This is outside of the audit period and compliance with this reporting requirement should be considered in the next operational audit.

3.5 Recommended Changes to the Licence

No changes to the licence are considered necessary.

3.6 Conclusion

The audit reviewed the action taken on previous operational audit recommendations and noted that only one out of three previous audit recommendations has been completed. The outstanding issues concern:

- Not prominently displaying a copy of the Customer Service Charter in the Shire's reception area; and
- No complaints register in place to record details of any customer complaint and its outcome (although we were advised there were no complaints received in the current audit period).

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 Denmark has complied with its Water Services Operating Licence performance and quality standards during the audit period 1 June 2007 to 31 May 2009 apart from one exception as noted below:

- Non-compliance with "Schedule 3 Clause 2.5 – Availability of Customer Service Charter to its customers" since the charter was not being prominently displayed in the Shire's reception.

Other improvements identified concerned the following:

- Establish a Complaints Register in order to improve internal control over the recording and reporting of complaints;
- The Shire's Complaint Procedure as outlined in the Customer Service Charter needs to be amended at the next charter review to include provision for compliance with the request for information from a Government body; and with the response times required for matters to be considered by a Local Governance Council;
- Provide a copy of the current Customer Charter to all customers;

- The Asset Management Plan needs to be updated to include required timeframes for notification of the asset management system changes to the Authority; and
- A Compliance Schedule needs to be developed and implemented listing all regulatory reporting events and timeframes to ensure regulatory timeframes are met.

The audit confirmed the Shire has complied with its performance reporting obligations for the periods 2006/07 and 2007/08.

Shire of Denmark

**Operational Audit and
Asset Management System Review 2009
(Water Licence)**

**Detailed Report
- Asset Management System Review**

December 2009

4. Asset Management Review

The effectiveness of the licensee's asset management system was assessed using the Asset Management System (AMS) Effectiveness Matrix provided by the Authority in the Audit Guidelines.

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

- Asset planning;
- Asset creation/acquisition;
- Asset disposal;
- Environmental analysis;
- 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							
3. Asset disposal							
4. Environmental analysis							
5. Asset operations							
6. Asset maintenance							
7. Asset management information system							
8. Risk management							
9. Contingency planning							
10. Financial planning							
11. Capital expenditure planning							
12. Review of 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 Review Recommendations

The status of the key recommendations in the previous audit report dated August 2007 is summarised below.

Item no.	Asset Management Element	Previous Review Findings	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
2.1	Plans Regularly Reviewed and Updated	The Asset Management Plan (AMP) includes a schedule for updating the different sections within the plan. It was noted that some of these sections are now due for review.	The AMP should be reviewed as per the documented review schedule.	<i>Will be reviewed. ETO 30 June 2008</i>	The AMP was reviewed and reissued in July 2008.	Completed
2.2	Asset Register	The assets are recorded for accounting purposes and also in the Capital Investment Plan. However, more information is needed, particularly asset condition and location.	The AMP should include a separate Asset Register which includes additional details such as the condition and location of the assets, including GPS coordinates.	<i>This will be prepared ETO 31 December 2007</i>	A basic Asset Register has been provided by the Shire. The register lists the Pump Shed (A3104), 3 Water Tanks (A3104) and the Bore Pump (A3104) located at the Peaceful Bay Caravan Park. Latitude and Longitude coordinates are given for the location of shed and tanks only. All assets at the Peaceful Bay Caravan Park share the same Asset number A3104 (Note: these assets are not part of the Authority's licensing requirements)..	Completed
2.3	Staff Training	During the audit, it was noted that the Engineering Technical Officer might benefit from some formal training in Asset	The Shire should consider providing the Engineering Technical Officer with some formal Asset Management Training.	<i>Council does provide training and will endeavour to deliver appropriate training for the ETO.</i>	The Shire advised training is provided where needed. No training register was available to verify if this training has been provided. <i>Refer recommendation 2.2 in the Post</i>	Partially completed

Item no.	Asset Management Element	Previous Review Findings	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
		Management.		CEO Ongoing	<i>Audit Implementation Plan.</i>	
2.4	Asset Operations and Maintenance Procedures	The maintenance procedures in the AMP are described as an interim guide only and the details of maintenance are to be included in the Operations and Maintenance Manual for the Scheme – this is yet to be completed.	The Shire should produce a fully documented Asset Operations and Maintenance Procedures Manual for the Scheme. These procedures should be linked to the service levels required for the Scheme and include a risk management framework that prioritises maintenance tasks.	<i>Partially developed</i> ETO Ongoing	Section 8 of the Asset Management Plan lists basic tasks to be undertaken. Sections 8.7 and 8.8 reference an Operation and Maintenance Manual however this manual has not been provided. Appendix C of the Asset Management Plan lists the maintenance and capital expenditure tasks to be undertaken in the financial year ending 2009/2010 however a detailed procedure is not provided. <i>Refer recommendation 2.3 in the Post Audit Implementation Plan.</i>	Partially completed
2.5	Asset Management Information System	Inadequate access controls are in place for the Shire's servers. The AMP and spreadsheets are kept in a shared area on the Shire's server, for which there is a shared logon password.	The complaints/ incidents spreadsheets should be kept in a restricted area on the network or they should be password protected.	<i>The system is adequate. The information has to be available for other officers to act on if the ETO is not present.</i> CEO 30 September 2007	Noted documents such as the AMP are now protected.	Completed
2.6	Management Reporting	There are no formal management reports produced for the Scheme other than those required under the ERA licence.	The AMP includes a number of performance measures on quality, availability, pressure and storage capacity. This information should be collected monthly and reported to the CEO along	<i>Upon completion of upgrade works (including installation of meters etc), performance can then be measured for reporting.</i>	Upgrade works almost completed. Audit was advised that performance measures are to be established when the upgrade is complete. <i>Refer recommendation 2.6 in the Post Audit Implementation Plan.</i>	Outstanding

Item no.	Asset Management Element	Previous Review Findings	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
			with details on any incidents or complaints reported during the month.	<i>ETO</i> <i>30 June 2008</i>		
2.7	Contingency Planning	Basic contingency plans are documented in the AMP. However, there are no documented requirements on testing the plan.	The AMP should be updated to include testing requirements for response plans listed in the contingency plan.	<i>The AMP, Section 10 - Contingency Plan and Incident Management, is suitable.</i> <i>ETO</i> <i>30 November 2007</i>	The contingency plans are documented in the AMP and were reviewed when the plan was revised in July 2008. Considered adequate in view of the basic nature of the facility and key staff being aware of the Plan.	Completed

4.3 Review 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 2.6)
1	ASSET PLANNING		3
1.1	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	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 Capital Plan in the Asset Management Plan (AMP) and the Shire's Plan For the Future.	3
1.2	Service levels are defined.	The level of service is clearly defined in the AMP. They include quantity, availability, pressure at connection and minimum storage capacity for the scheme.	3
1.3	Non-asset options (e.g. demand management) are considered.	The AMP includes in its contingency plans the use of water restrictions to cope with peak demand. Water restrictions of two days watering a week are currently in place.	3
1.4	Lifecycle costs of owning and operating assets are assessed.	The AMP capital expenditure plan includes all the capital costs. Operating costs are calculated in each yearly budget.	3
1.5	Funding options are evaluated.	Discussions with Shire staff indicate that lease charges are the main source of funds for the Scheme.	3
1.6	Costs are justified and cost drivers identified.	Asset lifecycle identified in the AMP and used to justify maintenance and replacement.	3
1.7	Likelihood and consequences of asset failure are predicted.	The capital expenditure plan identifies the effective and current life of the major capital items. Their replacement cost is factored into the Capital Plan. The Risk Management section of the AMP includes likelihood and consequences.	3
1.8	Plans are regularly reviewed and updated.	There is a section in the AMP for reviewing, who is responsible and when it is due. The document was last updated in July 2008. However the review schedule shows that some parts of the AMP were due for review in October 2008 and May 2009. These should be reviewed and the plan updated if	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 2.6)
		<p>required.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ The parts of the AMP due for review in October 2008 and May 2009 should be reviewed and the AMP updated as required once the current system upgrades are complete. (Post Audit Implementation Plan item 2.1) 	
2	ASSET CREATION/ ACQUISITION		3
2.1	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	<p>No new assets are currently planned, only upgrades and maintenance to the existing system, and replacements of existing infrastructure as required.</p> <p>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 Purchasing Policy and in compliance with the Local Government Act 1995 and the Local Government Act (Functions and general) Regulations 1996 (as amended in March 2007).</p>	4
2.2	Evaluations include all life-cycle costs.	<p>The AMP capital expenditure plan includes all the capital costs. Operating costs are calculated in each yearly budget.</p> <p>As no new assets were purchased during the review period, it was not possible to verify that life cycle costs are considered. The Shire follows the Shire's Purchasing Policy and Capital Evaluation Model which require whole of life costing in an assessment.</p>	3
2.3	Projects reflect sound engineering and business decisions.	No new assets are planned, only upgrades and maintenance to the existing system, and replacements of existing infrastructure as required.	N/A
2.4	Commissioning tests are documented and completed.	No new assets were acquired during the review period.	N/A
2.5	Ongoing legal/environmental/safety obligations of the asset owner are	The table on page 27 of the AMP lists the responsibilities for the AMP, but it does not mention who is responsible for management of the legal / environmental / safety	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 2.6)
	assigned and understood.	obligations related to the water licence. As advised by the Shire, the Principal Environmental Officer is reporting to the Director of Community and Regulatory Services who is reporting to the CEO. The CEO is ultimately responsible.	
3	ASSET DISPOSAL		3
3.1	Under-utilised and under-performing assets are identified as part of a regular systematic review process.	Annual inspections are completed on the system, any issues identified are listed as items for action and a proposal is put forward to include in the following year's budget.	3
3.2	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	Upgrades currently undertaken were identified in the AMP, detailed in the Three year Expenditure/ Action Plan and are justified in the Capital Investment Plan. These are almost complete.	3
3.3	Disposal alternatives are evaluated.	There are no examples of asset disposal for the review period. However, in case of disposal of surplus assets, the Shire follows the Local Government Act 1995 and the Local Government Act (Functions and General) Regulations 1996 (as amended in March 2007).	3
3.4	There is a replacement strategy for assets.	Yes, the Capital Investment Plan identifies the required investment over the next 15 years. The Three Year Expenditure Plan and Strategy outline the work done and still to be done, and the annual budget allocates funding for the next 12 months.	4
4	ENVIRONMENTAL ANALYSIS		4
4.1	Opportunities and threats in the system environment are assessed.	The AMP identifies the current existing environment and identifies that this information is to be reviewed in September 2010. Requirements associated with the establishment and operation of the bore are listed. There is not a specific section in the AMP on opportunities and threats for the system, however the Risk Management (Section 6 of the AMP) identifies 9 risks to 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 2.6)
		and provides controls for management of these risks.	
4.2	Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved.	Section 7.4 of the AMP details the data to be collected on a monthly basis. A Report detailing the performance of the system is provided to the Authority at the end of each financial year.	4
4.3	Compliance with statutory and regulatory requirements.	Section 5 of the AMP identifies the regulatory obligations. An annual Customer Service Survey is scheduled for March each year to measure performance and customer satisfaction. Last survey of customers was completed during October 2008.	4
4.4	Achievement of customer service levels.	No complaints were received by the Shire of Denmark during the 2007/2008 and 2008/2009 financial years. During the same period only 2 emergency calls were received and one break in the water main line was reported.	3
5	ASSET OPERATIONS		4
5.1	Operational policies and procedures are documented and linked to service levels required.	The AMP (Section 7) details the policies and procedures required, including data collection and reporting requirements. A report detailing the performance of the system is provided to the Authority at the end of each financial year.	4
5.2	Risk management is applied to prioritise operations tasks.	Section 6 of the AMP undertakes a risk assessment and assigns a priority based on that risk.	4
5.3	Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and accounting data.	Assets are recorded in the Capital Investment Plan (Section 9 of the AMP) and Appendix 3 of the AMP (Three year Expenditure / Action Plan). A Shire Asset Register lists all major assets in the shire. The assets listed for the Peaceful Bay Caravan Park were the Pump Shed (A3104), 3 Water Tanks (A3104) and the Bore Pump (A3104).	4
5.4	Operational costs are measured and monitored.	Costs associated with the operation and maintenance of the non-potable water supply are measured and monitored through the Shire's budgetary process. Costs are reviewed	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 2.6)
		on a monthly basis.	
5.5	Staff receive training commensurate with their responsibilities.	<p>No detailed training matrix exists for personnel conducting maintenance on the system. The Shire employs qualified tradespeople and provides familiarisation training on the equipment and system.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ The Shire should consider conducting a training needs analysis for each role involved with maintaining and operating the system. The training needs can then be used to ensure personnel employed by the Shire receive adequate training to perform their role. <i>(Post-Audit Implementation Plan 2.2)</i> 	1
6	ASSET MAINTENANCE		2
6.1	Maintenance policies and procedures are documented and linked to service levels required.	<p>Interim maintenance policies / procedures are recorded in the AMP (Section 8). Detailed procedures are to be prepared in the Operations and Maintenance Manual for the Scheme (referenced in Section 8.7 and 8.8 of the AMP). The Maintenance Manual has not been produced.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ The Shire to finalise the Operations and Maintenance Manual for the system. The Manual is to detail all maintenance procedures required for the system and link these procedures to the service levels required. <i>(Post-Audit Implementation Plan 2.3)</i> 	1
6.2	Regular inspections are undertaken of asset performance and condition.	<p>Inspections are scheduled. Information provided by the Director of Community & Regulatory Services indicates that not all scheduled inspections were undertaken during the reporting period “as our focus has been on the substantive maintenance, upgrade and repair program that has occurred in the last 12 months”.</p> <p>Recommendation:</p>	2

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and results (including any potential improvements)	Effectiveness Rating (0=not performed, 1=performed informally, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving - refer 2.6)
		<ul style="list-style-type: none"> ▪ The Shire to implement the regular maintenance inspection schedule and ensure the schedule is completed. <i>(Post-Audit Implementation Plan 2.4)</i> 	
6.3	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	<p>The Maintenance Plans are in draft form and require further review and approval by the Shire Council before they are implemented.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ The Shire to finalise the Maintenance Plans and have the plans approved by the Council. <i>(Post-Audit Implementation Plan 2.5)</i> 	2
6.4	Failures are analysed and operational/maintenance plans adjusted where necessary.	This is undertaken on an 'as needs' basis. In the last 12 months the pumps were replaced due to worn impellers. This was detected during routine maintenance/inspections. Plans were amended to document the replaced pumps.	3
6.5	Risk management is applied to prioritise maintenance tasks.	Section 6 of the AMP undertakes a risk assessment and assigns a priority based on that risk.	4
6.6	Maintenance costs are measured and monitored.	Costs are measured and monitored through Council's budget and quarterly budget expenditure reviews.	3
7	ASSET MANAGEMENT INFORMATION SYSTEM		2
7.1	Adequate system documentation for users and IT operators.	There is no dedicated Asset Management Information System. The Asset Management System is a combination of the AMP and supporting spreadsheets.	1
7.2	Input controls include appropriate verification and validation of data entered into the system.	A spreadsheet is used, but there are no input controls or formulas that check the input of data. However given that it is mostly not quantitative data, this is not seen as an issue.	1
7.3	Logical security access controls appear adequate, such as passwords.	The EHO has a restricted area that they keep the AMP and other related documents that only they need to access.	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 2.6)
		Other files such as the shire's Asset Register are kept in a common area on the server as multiple users require access to the files.	
7.4	Physical security access controls appear adequate.	The Shire offices are locked and alarmed outside of hours.	3
7.5	Data backup procedures appear adequate.	Servers are backed up daily and the rotated tapes are kept on site in the Shire's fireproof site.	3
7.6	Key computations related to licensee performance reporting are materially accurate.	These come from a variety of different sources, discussions with Shire staff indicated that these are accurate.	2
7.7	Management reports appear adequate for the licensee to monitor licence obligations.	<p>Currently there are no formal management reports produced for the Shire other than those required under the licence. There are defined service levels, but this information is not gathered yet.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ Once the current upgrades are complete, the EHO should monitor service levels and report these to the Shire as appropriate. (Post Audit Implementation Plan item 2.6) 	1
8	RISK MANAGEMENT		3
8.1	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	There is a basic Risk Management process and policy is in place and this is documented in the AMP.	3
8.2	Risks are documented in a risk register and treatment plans are actioned and	Nine risks have been identified in the AMP:	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 2.6)
	monitored.	<ul style="list-style-type: none"> • Non potable water utilised for potable use; • Non potable water utilised for potable use in caravan park; • Power failure; • Bore pump or pipeline failure; • Transfer pump or pipe failure; • Peak demand exceeds supply capacity of bore and dam; • Reticulation failure or leakage; • Increase in Suspended solids in water; and • Water storage failure. <p>Controls and treatment plans are briefly outlined in the Risk Analysis. More details are provided in the Contingency Plan and Incident Management section of the AMP.</p> <p>Demand has seen water restrictions being enacted as per the AMP.</p>	
8.3	The probability and consequences of asset failure are regularly assessed.	The Risk Register includes the probability and consequences of asset failure in the system. The AMP specifies that these are the responsibility of the Shire Engineer and they should be reviewed annually. The Risk Analysis was revised in July 2008.	3
9	CONTINGENCY PLANNING		3
9.1	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	<p>The AMP contains contingency plans for various threats to the system. The plan was reviewed in July 2008. Due to the simplicity of the system and the key people involved in the operation of the system being aware of the contingency plans, further testing of the system is not warranted.</p> <p>Currently, the plan does not include the names and contact numbers of the individuals mentioned in the plan. This would enable it to be a more usable plan.</p> <p>Recommendation:</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 2.6)
		<ul style="list-style-type: none"> ▪ More details such as names and contact numbers for the individuals involved in the contingency plans should be included in the plan. <i>(Post Audit Implementation Plan item 2.7)</i> 	
10	FINANCIAL PLANNING		4
10.1	The financial plan states the financial objectives and strategies and actions to achieve the objectives.	The Shire has a strategic plan, a “Plan for the Future” which goes for five years and covers expected expenditure over that time and there is a three year expenditure/ action plan and a detailed yearly budget.	4
10.2	The financial plan identifies the source of funds for capital expenditure and recurrent costs.	Funds come from rates, grants, fees, charges and borrowings. Lease charges cover the operating costs for the Peaceful Bay scheme. The “Plan for the Future” identifies the source of funds for capital works over the next five years of operations.	4
10.3	The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	Detailed projections for the next 12 months are provided in the annual budget.	4
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	The “Plan for the Future” provides details for the next five years on income and expenditure as well as details on any capital works. The AMP includes a Capital Investment Plan which covers expenditure over a 15 year period.	4
10.5	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	The budget provides detailed expenditure for the next 12 months including operations, maintenance, administration and capital expenditure. The “Plan for the Future” provides details for the next five years and the AMP includes a Capital Investment Plan which covers expenditure over a 15 year period.	4
10.6	Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.	The Finance Department monitors this and reports to the Council on a monthly basis. This is detailed in the Council minutes.	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 2.6)
11	CAPITAL EXPENDITURE PLANNING		3
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	A capital expenditure plan has been prepared (Section 9 of the AMP). The Environmental Health Officer and Director of Community & Regulatory Services have responsibility for preparing the Capital Expenditure Plan.	4
11.2	The plan provides reasons for capital expenditure and timing of expenditure.	<p>Capital expenditure and timing is based solely on the estimated life of the asset provided by the manufacturer.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ The Shire to update the Capital Expenditure Plan outlined in section 9 of the AMP to include information on the current condition of the asset and ensure the plan is consistent with the expected operating condition of the equipment .(Post Audit Implementation Plan item 2.8). 	3
11.3	The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.	Plan is consistent with asset life provided by the manufacturer but does not appear to factor in current operating condition.	3
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	Section 12 of the AMP identifies that a review of the Capital Expenditure Plan was scheduled for May 2009. The Capital Expenditure Plan was reviewed in May during the Council's budget consideration process.	4
12	REVIEW OF AMS		3
12.1	A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.	<p>The AMP includes a section that describes how frequently the sections within the AMP are updated. The AMP is dated July 2008. The Asset Condition and Performance was due to be reviewed in October 2008, and the following sections were due to be reviewed and/or updated in May 2009.</p> <ul style="list-style-type: none"> • Water Services Description; • Risk Assessment; 	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 2.6)
		<ul style="list-style-type: none"> • Capital Investment Plan; and • Contingency Plan and Incident Management. <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ The parts of the AMP due for review in October 2008 and May 2009 should be reviewed and the AMP updated as required, once the current system upgrades are complete. <i>.(Post Audit Implementation Plan item 2.1)</i> 	
12.2	Independent reviews (e.g. internal audit) are performed of the asset management system.	An independent review of the AMS is performed as part of the water licence audit for the Authority.	4

4.4 Conclusion

The audit reviewed the action taken on previous asset management review recommendations and noted that four recommendations have been implemented, two recommendations partially implemented and one is still outstanding.

The outstanding issue concerns:

- Establishing management reports showing performance measures for the scheme (this has been delayed pending completion of upgrade works).

The partially completed issues concern:

- Producing a fully documented Asset Operations and Maintenance Manual; and
- Maintaining evidence of training in Asset Management, such as a Training Register.

For the audit period of 1 June 2007 to 31 May 2009, the asset management review concluded that effective asset management processes are operating and are well-defined with the exception of the areas of Asset Maintenance and Asset Management Information System. In particular:

- Develop an Asset Operations and Maintenance Manual; have the draft maintenance plans approved by the Shire Council and implement the planned maintenance schedule;
- Establish a Training Register as evidence of training, such as in asset management, being provided to staff; and
- Once the current upgrades are completed, the Environmental Health Officer should monitor service levels and report these to the Shire on a regular basis;

Several opportunities for further improvements have been recommended in the Post Audit Implementation Plan being:

- The review schedule for the Asset Management Plan should be followed (reviews since October 2008 have not been completed);
- Include the contact names and numbers for individuals involved in the contingency plans in the plans documented in the Asset Management Plan; and
- Update the Capital Expenditure section of the Asset Management Plan to include the current condition of assets and their impact on the planned expenditure.

END OF REPORT