

Ref:

26 April 2023

Auditor Generals Department  
Level 9  
State Administration Centre  
200 Victoria Square  
ADELAIDE SA 5000

Dear Mr Richardson,

**RE: Review of community wastewater management system**

The Auditor General has undertaken an audit of the Council's Community Wastewater Management System during 2022/2023. The following are the responses to the finding of the audit to be presented with a report to Parliament.

**Strategic asset management framework**

3.2.1 The Council's current CWMS infrastructure asset management plan does not meet the core level of asset management maturity

**Recommendation**

In updating the CWMS IAMP, the Council should:

- consider the guidance provided by IPWEA and the LGA to ensure the key requirements are addressed, at least at the core asset management maturity level;
- confirm the assets to be included in the IAMP with provision for expansion of these assets as additional assets are acquired (eg at the completion of the contract);
- agree on an approach to develop the IAMP with the consultant engaged;
- work closely with the consultant to ensure the IAMP is well-understood by relevant Council staff responsible for implementing it and keeping it up to date;
- use information that is already captured to inform the IAMP, such as the annual pump station condition assessment reports prepared by Liquid Associated Mechanical Services Pty Ltd (LAMS);
- include key information about the arrangements with the service providers and impact on delivering the service to the community.

The Council should request TRILITY to update its IAMP for information on the current demand on its CWMS assets compared to its contractual future demand scheduled to occur when the contract term ends.

### **Council's Response**

- **Council accepts the recommendation and has commenced the process of update of the CWMS Asset Management Plan.**
- **Due to the scale and complexities of the CWMS the project will be multi-year.**
- **Council engaged an independent contractor for the inspection, reporting and condition rating of Councils CWMS system. This information will be used for the development of the updated CWMS AMP.**
- **Revaluations will also be undertaken as part of the current review.**

3.2.2 The Council could not demonstrate that the CWMS asset cost requirements will be fully funded and has a likely funding shortfall

### **Recommendation**

The Council should review its financial strategy and determine how and by when it will address the projected funding shortfall and achieve full CWMS cost-recovery.

The Council consider using LGA's budget model to develop a 20-year CWMS financial plan to support its funding strategy and LTFP.

The Council should clearly identify its asset requirements and funding needs to support the financial forecasts in the LTFP. The Council should develop a 20-year renewal program for all asset components of the CWMS network. This program should identify any renewals backlog and explain how it will be addressed.

The Council should analyse annual CWMS expenditure against the forecast to understand the reason for the variances in that year and assist in the next planning process.

The Council should obtain:

- a 5-year replacement and refurbishment plan from TRILITY updated annually which outlines TRILITY's proposed asset renewal activities over the coming five-year period;
- a 10-year asset management and financial plan from TRILITY closer to the end of the contract term to determine its future asset and funding requirements.

### **Council's Response**

- **Council accepts the recommendation.**
- **A comprehensive review of the Long Term Financial Plan is scheduled for the 2023/2024 financial year.**
- **It should be noted that the shortfall recorded in the audit period was due to the cancellation of a contract with a local industrial contributor to the CWMS network, which affected the quantum contributed to the reserve at that time.**
- **This has been addressed in the 2022/2023 financial year in accordance with Council's annual business plan.**
- **This matter along with a 20-year CWMS financial plan developed with the LGA's budget model will also be considered in the comprehensive review of Council's Long Term Financial Plan, scheduled for 2023/2024.**

### 3.2.3 The Council had not defined core requirements of effective asset management

#### Recommendation

In developing the CWMS IAMP, the Council should:

- clearly define its CWMS asset management objectives. These objectives should be clearly linked to its organisational objectives and consistent with the asset management policy.
- set out its required levels of service. It is important for the levels of service statements to be written in terms the community can understand and relate to. The Council may consider consulting with the community on the levels of service before formally adopting them.
- establish clear performance measures and targets.

#### **Council's Response**

- ***Council accepts the recommendation and has commenced the process of update of the CWMS Asset Management Plan.***
- ***Due to the scale and complexities of the CWMS the project will be multi-year.***
- ***Council engaged an independent contractor for the inspection, reporting and condition rating of Councils CWMS system. This information will be used for the development of the updated CWMS AMP.***
- ***Revaluations will also be undertaken as part of the current review.***
- ***Council conducts public consultation pursuant to the Local Government Act 1999 and Council's Public Consultation and Community Engagement Policy.***

### 3.2.4 The Council had not assessed the condition of all components of the CWMS network

#### Recommendation

The Council should develop an approach to assessing the asset condition of the CWMS network. This should include a methodology on how assets will be selected for inspection, how often condition data should be updated, application of condition ratings and how the asset management information system (AMIS) should be updated with the condition data.

The methodology should be documented in the CWMS IAMP and the Council should monitor and report on the relevant actions and outcomes through the life of the plan.

The Council should update the AMIS with the condition assessment rating, priority risk ranking and criticality assets; and, where relevant, revised remaining useful life forecasts following physical inspections.

#### **Council's Response**

- ***Council accepts the recommendation.***
- ***As advised earlier herein, Council has commenced the process of update of the CWMS Asset Management Plan in a multi-year project.***
- ***Inspection and asset condition assessments will update the baseline of condition rating data of Councils CWMS system. This information will be used for the development of an updated CWMS AMP and the AMIS which follows.***

## Governance arrangements

4.2.1 The roles and responsibilities for managing the CWMS network were not clear

### Recommendation

The Council should review and clearly document the roles and responsibilities for the CWMS network asset management.

### Council's Response

- ***Council notes the recommendation and advises the matter has been addressed.***
- ***Council notes, that at the time of audit several vacancies existed within the organisation at senior level. Such vacancies also resulted in minor restructure and changes to departmental responsibility.***
- ***It should be noted, that senior management staffing has since returned to full capacity and the management of the CWMS is the joint responsibility of the Manager Infrastructure and Operations (MIO) and the Manager Environment and Regulatory Services (MERS)***
- ***Responsibilities in relation to CWMS network asset management are clearly documented in position descriptions and annual work plans.***

4.2.2 The Council did not have processes in place to evaluate and monitor TRILITY's performance

### Recommendation

The Council should implement a contract management process to ensure its CWMS contractors are meeting agreed service and contract requirements.

The Council should develop a contract management plan to assist in managing the long-term wastewater treatment plant contract with TRILITY. This plan should allow sufficient time for the Council to review the ongoing effectiveness and viability of the current service model before the TRILITY contract expires. The LGA Procurement's procurement handbook provides guidance on contract management.

The Council should ensure that TRILITY defines performance measures and assessment metrics to demonstrate achievement of the service levels defined in its asset management plan for the assets under TRILITY's ownership

### Council's Response

- ***Council accepts the recommendation.***
- ***Council will investigate implementation of an appropriate contract management plan to assist in management of the independent contractor (TRILITY) via the fee for service contract.***
- ***Current performance measurements in accordance with the contract include:***
  - ***Invoice calculation and substantiation***
  - ***KPI report***
  - ***Plant flow summary, inlet and treated wastewater quality report/s***
  - ***AWE escalation for the current quarter***
  - ***Utility and input purchases account/s***

4.2.3 The payments made to TRILITY were not approved by an authorised delegate

Recommendation

The Council should ensure all payments are approved in accordance with the delegations of authority. The invoices should record evidence of the approval before it is paid.

**Council's Response**

- ***Council notes the recommendation and advises the matter has been addressed.***
- ***Since the period of audit, delegation limits have been reviewed.***
- ***All payments are approved in accordance with delegations of authority.***
- ***Approval is recorded on or attached to invoices paid.***

4.2.4 The Council did not verify the accuracy of fees charged by TRILITY

Recommendation

The Council should request TRILITY to provide relevant documents to support the fee charged and review this information to ensure the monthly reporting and the amount invoiced is accurate and in line with the contract.

**Council's Response**

- ***Council notes the recommendation and advises the matter has been addressed.***
- ***Council accepts that during the period of audit relevant documents to support the fee charged were not provided by the independent contractor.***
- ***Currently, Council's independent contractor is managed in accordance with the fee for service contract including but not limited to provision of the following:***
  - ***Invoice calculation and substantiation***
  - ***KPI report***
  - ***Plant flow summary***
  - ***Plant inlet and treated wastewater quality report***
  - ***AWE escalation for the current quarter***
  - ***Electricity account***
  - ***Chemical purchases account***
- ***Payment of invoices is subject to review of the above information and ongoing compliance with the remainder of the executed contract.***
- ***As advised earlier herein, Council will investigate implementation of an appropriate contract management plan to assist in management of the independent contractor via the fee for service contract.***

4.2.5 The Council did not have contracts in place for some of its regular CWMS service providers

Recommendation

The Council should have current written contracts in place for its key services that it outsources to private providers.

The Council should have processes in place to ensure contracts are either renewed on time or alternative arrangements are put in place to ensure continuity of services to the community.

### ***Council's Response***

- ***Council notes the recommendation and advises the matter has been addressed.***
- ***Council accepts that at the time of audit, contracts with some regular CWMS service providers were not current.***
- ***Such contracts have been reviewed and renewed since that time, and current relevant contracts have been executed.***

### **Asset Maintenance**

5.2.1 Preventative maintenance reports not maintained for all assets

#### **Recommendation**

The Council should complete preventative maintenance reports for all CWMS asset classes within the CWMS network.

The Council consider obtaining monthly service reports from TRILITY detailing the results of the maintenance activities they perform. This report could be attached to TRILITY's monthly invoice.

### ***Council's Response***

- ***Council notes the recommendation and advises the matter has been addressed.***
- ***Council's independent contractor is required to provide monthly service reports in accompaniment of monthly invoices in accordance with the fee for service contract.***

### **Risk management**

6.2.1 The Council had not assessed the risks specific to the CWMS network

#### **Recommendation**

In developing the CWMS IAMP, the Council should perform a rigorous analysis of asset information and asset management practices to identify and assess CWMS network risks that impact service delivery and achievement of the Council's objectives.

The CWMS IAMP should provide information on these risks and explain how they will be managed, monitored and reviewed. The relevant risk register should record all identified risks, assessment ratings and mitigation strategies.

### ***Council's Response***

- ***Council accepts the recommendation.***
- ***Council has engaged an independent contractor for the inspection, reporting and condition rating of Councils CWMS system. This information will be used for the development of an updated CWMS AMP which will include the identification and assessment of CWMS network risks which may impact service delivery.***



### 6.2.2 Lack of risk reporting to the audit committee in 2022

#### Recommendation

The Council management should provide risk management information to the audit committee for it to carry out its function.

#### **Council's Response**

- ***Council notes that this observation occurs outside of the advised audit period.***
- ***Council notes the recommendation and advises the matter has been addressed.***
- ***In November 2022 Council endorsed the establishment of an Audit and Risk Management Committee which serves a critical role in reviewing (among other matters) Council's Risk Management Framework, Strategic Plan and receiving reports from Council's External and Internal Auditors. The establishment of this committee ensures alignment with the broadened scope of risk management and independent membership requirements of the Local Government Act 1999.***
- ***Relevant vacancies in Council's workforce which contributed to the infrequency of risk reporting to the former audit committee have now been addressed.***

### **Asset management information system**

#### 7.2.1 Gaps in asset information

#### Recommendation

The Council should update the asset register for:

- the information gaps identified to ensure it provides quality and complete information;
- information about assets that have been renewed (eg asset life where it has been extended);
- physical asset condition assessments when completed.

#### **Council's Response**

- ***Council accepts the recommendation.***
- ***Council has engaged an independent contractor for the inspection, reporting and condition rating of Councils CWMS system. This information will be used for the development of an updated CWMS AMP and update of the asset register which follows.***

### **Performance monitoring and reporting**

#### 8.2.1 There was no reporting on the CWMS network's performance

#### Recommendation

Management should regularly prepare reports on the operations, finances and service performance of the CWMS network and provide those reports to the appropriate governance level in the organisation. These reports should include information on:

- the financing of the CWMS network, including the impact on the CWMS reserve;

- the comparison between planned and actual CWMS activity (ie operations, maintenance, renewal and upgrades);
- the variances between the annual capital budget and expenditure, like the current practice for reporting on the operating budget;
- the performance of the CWMS network against the set levels of service and asset management objectives, once these are established.

The Council should apply the legislated formula to calculate the ARFR. The Council should consider setting a CWMS ARFR target and report the actual ARFR against this target each year.

The finance, environment services and infrastructure services staff should work together to ensure an integrated approach to reporting on CWMS network performance.

**Council's Response**

- ***Council accepts the recommendation.***
- ***The recommendation will be considered in review of existing reporting practices.***

8.2.2 Reporting on performance to the community is limited

**Recommendation**

The Council's annual report should provide performance information on its CWMS network activity against measures and targets once they have been developed.

**Council's Response**

- ***Council notes the recommendation.***
- ***Council's Annual report is developed pursuant to the requirements of the Local Government Act 1999.***

Please contact Tracey Alexander, Manager Environment and Regulatory Services if you have additional questions.

Yours sincerely



Dylan Strong  
Chief Executive Officer



Ella Winnall  
Mayor