

# Gascoyne Water Co-operative Limited

## Operational Audit and Asset Management Review

**Final**

**31<sup>st</sup> August 2011**



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# 1

## Executive Summary

### 1.1 Background

The regulation of the water service industry in Western Australia is governed by the Water Services Licensing Act 1995 (the “Act”). The Act has established a regulatory framework surrounding the provision of water services primarily by way of a licensing scheme administered by the Economic Regulation Authority (the “Authority”).

Under the Act, providers of water supply, sewerage, irrigation and drainage services within controlled areas must be licensed. The licence set a range of conditions, including minimum service standards and regular reporting.

The Authority has issued an Operating Licence to Gascoyne Water Co-operative Limited trading as Gascoyne Water for the provision of irrigation and non potable water services. Licence was granted to Gascoyne Water Co-operative Limited on 23 June 2003 and amended on 6 August 2008 and 15 May 2009.

There have been no major changes to the type of license or business carried out since the previous audit.

Not less than every 24 months, Gascoyne Water is required to provide the Authority with an operational audit and a report on the effectiveness of its asset management system under section 37 and 36 respectively of the Act.

The Gascoyne Water Irrigation Area covers an area of 2,000 hectares and a network of 37 km of pipeline with a total of 177 supply points.

The key assets for Gascoyne Water include pipelines and service points. There has been no major change to the assets since the last audit in 2007.

The audit has been conducted in accordance with Audit Guidelines: Electricity, Gas and Water Licences issued by the Authority (2010). The audit has been conducted in order to assess the licensee’s level of compliance with the conditions of its licence and to assess the effectiveness of the asset management system.

The audit covered the period from 1 May 2010 to 30 April 2011.

## 1.2 Operational Audit

### 1.2.1 Summary of Opinion on the Control Environment

The control environment to ensure compliance with the licence conditions is assessed to be satisfactory.

### 1.2.2 Overall Assessment

In the auditor's professional view, Gascoyne Water is achieving an acceptable level of compliance with the requirements of the Water Services Operating Licence. A number of areas for improvement were identified that would improve the compliance. Refer to section 4.1.3 for more details.

### 1.2.3 Actions Taken on Previous Post-Audit Plan

The previous audit was conducted by the Paxon Group in 2010. A number of recommendations were made in the operational audit report. Some of these issues are unresolved and raised again in this Audit Report.

## 1.2.4 Summary of Issues and Recommendations

Licence Condition Reference	Issue	Recommendation	Post-Audit Action Plan	Person Responsible / Date of Implementation
Cl. 5.1	<ul style="list-style-type: none"> <li>Gascoyne Water Co-operative Limited (GWC) is required to comply with, amongst others, the Co-operative Act 2009.</li> <li>GWC has not changed either its Customer Service Charter nor its Articles of Association to accommodate the stipulations of this Act.</li> </ul>	<ul style="list-style-type: none"> <li>Amendments to both the Customer Service Charter and Articles of Association of GWC are required to comply with the Co-operative Act 2009.</li> </ul>	<ul style="list-style-type: none"> <li>Gascoyne Water are required to be compliant with 2009 Act by June 2012, in the process of drafting a new constitution which is compliant. Aim to have it completed for approval by members at the 2011 AGM, in November 2011, after which it will be registered; and</li> <li>GWC is in the process of revising its Customer Service Charter, and will ensure that this complies with the 2009 Act.</li> </ul>	Ivor Gaylard (CEO)/January 2012
Cl. 5.2(a)	<ul style="list-style-type: none"> <li>A breach of legislation occurred in that both the annual water licence compliance report (due on 31 August 2010) and the annual license performance report (due 31 July 2010) were submitted late. Both reports were only submitted on 23 September 2010 after further deadlines were not complied with.</li> </ul>	<ul style="list-style-type: none"> <li>A formalised reminder mechanism should be put in place to ensure all reporting deadlines for the Economic Regulation Authority (ERA) is met.</li> <li>The continuity of administrative support should be ensured through documented assignment of duties and procedure manuals that cover all administrative tasks.</li> </ul>	<p>Management are in the process of updating their checklists and procedures to ensure all reports are submitted on time in the correct manner. We are setting up a shared Microsoft Outlook calendar that captures all deadlines for ERA and other reports, including assigned responsibilities. A hard copy will be printed out and kept on record as often as necessary.</p>	Ivor Gaylard (CEO)/October 2011
Cl. 6 & Sch 3, Cl. 3.2 (a)	<ul style="list-style-type: none"> <li>A unique identifying complaint number is not assigned to each complaint</li> </ul>	<ul style="list-style-type: none"> <li>A unique complaint number should be assigned for each individual complaint.</li> </ul>	<ul style="list-style-type: none"> <li>Management will implement a unique identifying complaint numbering system.</li> </ul>	Ivor Gaylard (CEO) / October 2011
Sch 3, Cl. 3.2	<ul style="list-style-type: none"> <li>A Customer Complaints Register is maintained both in hard copy and</li> </ul>	<ul style="list-style-type: none"> <li>All customer complaint forms should be</li> </ul>	<ul style="list-style-type: none"> <li>Management will implement the filing system into a chronological order.</li> </ul>	Lisa Hodson

Licence Condition Reference	Issue	Recommendation	Post-Audit Action Plan	Person Responsible / Date of Implementation
(d)	electronically. All complaint forms are filed in the hard copy version thereof. However, there appears to be a gap from 05/12/2009 to 19/09/2010 for which no customer complaints can be found.	filed in chronological order in the complaints file.		(Administration Officer)/ September 2011
Sch 3, Cl. 2.5(c)	<ul style="list-style-type: none"> <li>Three separate revisions were performed of the Customer Service Charter in the 2010 calendar year.</li> <li>After the ERA approval in December 2010, the amended Customer Service Charter was made available to new customers but only to those existing customers who requested a copy.</li> </ul>	<ul style="list-style-type: none"> <li>Gascoyne Water should provide copies of the approved Customer Service Charter to all customers:               <ul style="list-style-type: none"> <li>after ERA approval of any changes thereto; and</li> <li>at least once in every three year period.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The Customer Service Charter is soon to be revised, once the new Rules are approved. This will then go out to each customer.</li> <li>Besides this, the Charter will be sent out at least once in every three year period and on an as-needs basis.</li> </ul>	Ivor Gaylard (CEO)/January 2012
Sch 3, Cl. 2.6	<ul style="list-style-type: none"> <li>Three separate revisions were performed of the Customer Service Charter in the 2010 calendar year.</li> <li>A number of extensions were granted by the ERA to GWC for the submission of the updated Customer Service Charter. However, documentation in support of these extensions is incomplete. Compliance with the deadlines provided by the ERA thus cannot be established.</li> <li>The charter was approved by the ERA on 20 December 2010.</li> </ul>	<ul style="list-style-type: none"> <li>All correspondence with the ERA should be filed in date sequence to ensure completeness and easy access to documentation.</li> <li>A formalised reminder mechanism should be put in place to ensure the Customer Service Charter is reviewed and the ERA's approval is obtained therefore, all within the approved timeframe.</li> </ul>	<ul style="list-style-type: none"> <li>Procedures will be implemented to improve the overall filing system within GWC, including the correspondence with ERA. A shared Microsoft Outlook calendar will be set up to ensure deadlines are met well in time. A hard copy will be printed out and kept on record as often as necessary.</li> </ul>	Ivor Gaylard (CEO) & Lisa Hodson (Administration Officer)/October 2011
Sch3, Cl.4	<ul style="list-style-type: none"> <li>The "Gascoyne Water Comment" newsletter was not circulated at all during the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>The newsletter should be circulated approximately four to six times per annum.</li> </ul>	<ul style="list-style-type: none"> <li>Members have been kept well informed on issues such as projects. Various information letters have been sent out, though not in the format of a formal</li> </ul>	Ivor Gaylard (CEO)/ Ongoing

Licence Condition Reference	Issue	Recommendation	Post-Audit Action Plan	Person Responsible / Date of Implementation
			newsletter. In many instances, we have preferred to visit growers individually to ensure they are fully briefed on important issues. We have not had customer complaints relating to lack of information. We will investigate the appropriateness of a newsletter to replace our current communication with our members.	
Sch3, Cl.4	<ul style="list-style-type: none"> <li>The Seventh Annual General Meeting was held on 16 June 2009. It is noted that the minutes are not kept in a register and are not signed by the Chairman.</li> </ul>	<ul style="list-style-type: none"> <li>The minutes should be kept in a register and should be signed by the chairman.</li> </ul>	<ul style="list-style-type: none"> <li>Minutes are signed by the chairman after approval at the following AGM, and then bound for storage.</li> <li>We will include this item on our AGM organisational checklist.</li> </ul>	Ivor Gaylard (CEO)/ Annually after AGM
Sch 3, Cl. 4.4	<ul style="list-style-type: none"> <li>The Eighth Annual General Meeting was held on 20 October 2010. Even though members were given the opportunity to view their opinions on the performance and operation of the scheme, this fact was not minuted.</li> </ul>	<ul style="list-style-type: none"> <li>The agenda for the meeting should include an item for discussion of customer views on performance and operation of the scheme.</li> <li>The minutes of the meeting should disclose the fact members were given an opportunity to discuss the performance and operation of the scheme.</li> </ul>	<ul style="list-style-type: none"> <li>The agenda for future annual general meetings will include an item for discussion of customer views on performance and operation of the scheme.</li> <li>Details of such discussions will be appropriately minuted.</li> </ul>	Ivor Gaylard (CEO)/ November 2011
Sch 3, Cl. 4.4	<ul style="list-style-type: none"> <li>From the minutes for the Eight Annual General Meeting it is evident:                             <ol style="list-style-type: none"> <li>Season opening and closing conditions;</li> <li>Tariffs; and</li> <li>Scheme operation were not discussed.</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>The agenda for the meeting should include items for discussion of season opening and closing conditions, tariffs and the scheme operation.</li> <li>Such discussions should take place during the meeting and be included in the minutes.</li> </ul>	<ul style="list-style-type: none"> <li>The agenda for future annual general meetings will include an item for discussion of season opening and closing conditions, tariffs and the scheme's operation.</li> <li>Details of such discussions will be appropriately minuted.</li> </ul>	Ivor Gaylard (CEO)/ November 2011

Licence Condition Reference	Issue	Recommendation	Post-Audit Action Plan	Person Responsible / Date of Implementation
Cl. 16.1 & Cl. 17.3	<ul style="list-style-type: none"> <li>The report for both the operational audit and asset management system review, covering the period 1 May 2007 to 30 April 2010, was overdue. The report for the audit and review was due on 31 July 2010. However, the report was only submitted to the ERA on 1 October 2010.</li> </ul>	<ul style="list-style-type: none"> <li>A formalised reminder mechanism should be put in place to ensure all reporting deadlines for the ERA is met.</li> </ul>	<ul style="list-style-type: none"> <li>We are setting up a shared Microsoft Outlook calendar that captures all deadlines for ERA and other reports, including assigned responsibilities. A hard copy will be printed out and kept on record as often as necessary.</li> </ul>	Ivor Gaylard (CEO)/ October 2011
Cl.20, Sch 4	<ul style="list-style-type: none"> <li>The Customer Service Charter was amended on 28 June 2010 and stipulates: "If a planned disruption to supply is required we will endeavour to advise all customers affected in writing at least 5 business days before the disruption occurs".</li> <li>However, this amended stipulation by use of the word 'endeavour' sets a lower compliance standard than that prescribed in the licence. As such, it will be possible for the licensee to comply with the Customer Service Charter stipulation without meeting the licence criteria.</li> </ul>	<ul style="list-style-type: none"> <li>The Customer Service Charter should be amended to be in accordance with the licence requirements. As such, the word 'endeavour' should be omitted from the amended stipulation.</li> </ul>	<ul style="list-style-type: none"> <li>We will amend our Customer Service Charter by removing the word 'endeavour' with reference to planned shutdowns.</li> </ul>	Ivor Gaylard (CEO)/ November 2011
Cl.20, Sch 4	<ul style="list-style-type: none"> <li>No specific record is kept to indicate which customers were provided with notice of planned service disruptions. As such, it is not possible to calculate the percentage of customers who received</li> </ul>	<ul style="list-style-type: none"> <li>Proper records should be kept of communication with customers to enable measurement of, and reporting on compliance with service standards.</li> </ul>	<ul style="list-style-type: none"> <li>Logging of customer complaints and our responses will be reported monthly to the board; and</li> <li>Each time a planned service disruption occurs, a record will be kept of the</li> </ul>	Ivor Gaylard (CEO)/ November 2011

Licence Condition Reference	Issue	Recommendation	Post-Audit Action Plan	Person Responsible / Date of Implementation
	<p>such notice. Consequently, GWC's compliance with the stipulation that, in the preceding 12 month period, 90% of all customers must receive this service standard cannot be measured.</p>		<p>customers affected, as well as those notified, including the date of notification and disruption.</p>	
<p>Cl. 21.1 &amp; Cl. 21.2, Sch. 5</p>	<ul style="list-style-type: none"> <li>▪ A breach of legislation occurred in that both the annual water licence compliance report (due on 31 August 2010) and the annual license performance report (due 31 July 2010) were submitted late. Both reports were only submitted on 23 September 2010 after further deadlines were not complied with.</li> </ul>	<ul style="list-style-type: none"> <li>▪ A formalised reminder mechanism should be put in place to ensure all reporting deadlines for the ERA is met.</li> <li>▪ The continuity of administrative support should be ensured through documented assignment of duties and procedure manuals that cover all administrative tasks.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Management are in the process of updating their checklists and procedures to ensure all reports are submitted on time in the correct manner. We are setting up a shared Microsoft Outlook calendar that captures all deadlines for ERA and other reports, including assigned responsibilities. A hard copy will be printed out and kept on record as often as necessary.</li> </ul>	<p>Ivor Gaylard (CEO)/October 2011</p>

## 1.3 Asset Management Review

### 1.3.1 Summary of Opinion on the Control Environment

The control environment for asset management is assessed to be unsatisfactory.

### 1.3.2 Overall Assessment

In the auditor's professional view, Gascoyne Water does not have an effective asset management system. A number of areas for improvement were identified. Refer to Section 4.2.4 for more details.

### 1.3.3 Actions Taken on Previous Post-Audit Plan

The previous audit was conducted by the Paxon Group in 2010. A number of recommendations were made in the Asset Management Review report. Some of these issues are unresolved and raised again in this Audit Report.

### 1.3.4 Summary of Issues and Recommendations

Key Processes	Issue	Recommendation	Post-Audit Action Plan	Person Responsible / Date of Implementation
Asset Planning	<ul style="list-style-type: none"> <li>The Strategic Plan has not been reviewed since 2004.</li> <li>The Asset Management Plan was compiled in July 2004 and has not been updated since.</li> <li>Business Plan has not been reviewed since 2004.</li> </ul>	<ul style="list-style-type: none"> <li>Management should ensure that the Strategic Plan is reviewed and updated on a regular basis.</li> <li>Management should ensure that the Asset Management Plan is reviewed and updated on a regular basis.</li> <li>Management should ensure that the Business Plan is reviewed and updated on a regular basis.</li> </ul>	<ul style="list-style-type: none"> <li>Much strategic planning has been carried out recently, particularly in relation to the pipeline replacement project and the new borefield. However this has not been conducted in a formal manner. A file will be created which outlines relevant strategic plans.</li> <li>We are in the process of replacing the main pipeline. We have commissioned the Project Engineer to draw up a new Asset Management Plan which is relevant for the new system.</li> <li>Review of the Business Plan will be included on the Management Calendar.</li> </ul>	Ivor Gaylard (CEO), Board of Management / December 2011 and ongoing.
Asset Creation and Acquisition	<ul style="list-style-type: none"> <li>A combined policy and procedure document for asset creation and acquisition was compiled.</li> <li>The document does address 3 of the 5 effectiveness criteria on a very basic level. However, it does not: <ul style="list-style-type: none"> <li>Address these 3 criteria in adequate detail; and</li> <li>Contains no reference to commissioning tests nor legal/environmental/safety obligations.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The policy and procedures should be addressed in separate documents.</li> <li>The policy document should be based upon the "Outcome" as stipulated in Table 16 on page 38 of the Audit Guidelines: Electricity, Gas and Water Licences.</li> <li>The procedures should address the "Effectiveness criteria" as stipulated in Table 16 on page 38 of the Audit Guidelines: Electricity, Gas and Water Licences.</li> </ul>	<ul style="list-style-type: none"> <li>We are in the process of compiling separate policy and procedure documents for asset creation and acquisition. We will ensure such documents are compiled in accordance with the ERA guidelines.</li> </ul>	Ivor Gaylard (CEO) / January 2012

Key Processes	Issue	Recommendation	Post-Audit Action Plan	Person Responsible / Date of Implementation
Asset Disposal	<ul style="list-style-type: none"> <li>A short summary, included in the combined policy and procedure document for asset creation/acquisition deal with asset disposals. However, it is neither a policy document nor a detailed procedure document.</li> </ul>	<ul style="list-style-type: none"> <li>The policy and procedures should be addressed in separate documents.</li> <li>The policy document should be based upon the “Outcome” as stipulated in Table 16 on page 38 of the Audit Guidelines: Electricity, Gas and Water Licences.</li> <li>The procedures should address the “Effectiveness criteria” as stipulated in Table 16 on page 38 of the Audit Guidelines: Electricity, Gas and Water Licences.</li> </ul>	<ul style="list-style-type: none"> <li>We are in the process of compiling separate policy and procedure documents for asset disposal. We will ensure such documents are compiled in accordance with the ERA guidelines.</li> </ul>	Ivor Gaylard (CEO) / January 2012
Environmental Analysis	<ul style="list-style-type: none"> <li>Performance standards are identified in the Asset Management Plan. However, performance standards are not measured nor reported to the Board</li> </ul>	<ul style="list-style-type: none"> <li>Management should ensure measurement of, and reporting against performance standards is done on a regular basis.</li> </ul>	<ul style="list-style-type: none"> <li>We will systemise the measurement and reporting of environmental performance standards to ensure this is done routinely.</li> </ul>	Ivor Gaylard (CEO) / October 2011
Asset Operations	<ul style="list-style-type: none"> <li>Risk management is not formally applied to prioritise operational tasks.</li> <li>Asset register does not include the assessment of indicated asset’s physical/structural condition.</li> <li>Operational costs are measured. However, due to changes in the accounting system, comparisons of budgeted versus actual expenditure did not occur for a significant portion of the financial year.</li> </ul>	<ul style="list-style-type: none"> <li>Management should develop and document a formal process for the prioritisation of operational tasks which is based upon risk assessment.</li> <li>Asset register should include the assessment of assets’ physical/structural condition.</li> <li>Actual expenditure should be compared against budgeted expenditure on a regular basis.</li> </ul>	<ul style="list-style-type: none"> <li>Management at present prioritises operational tasks based on a rational assessment of risk, however this is neither formal nor documented. We will examine ways to formalise this in a practical manner.</li> <li>Management’s current assessment is that the condition of the main asset is sub-standard and past it’s intended lifespan. It is this reason that GWC is in the process of completely replacing it. GWC will implement a system for assessing the new asset’s condition once it has been commissioned.</li> </ul>	Ivor Gaylard (CEO) / March 2012

Key Processes	Issue	Recommendation	Post-Audit Action Plan	Person Responsible / Date of Implementation
			<ul style="list-style-type: none"> <li>GWC have started the 2011/2012 financial year with updated budgets for expenditure, and actual to budget expenditure reports will be examined monthly by the Management and the Board of Directors.</li> </ul>	
Asset Maintenance	<ul style="list-style-type: none"> <li>A maintenance plan is included in the Asset Management Plan However, it does not constitute a policy document and disclose inadequate detail of the procedures to be undertaken.</li> <li>Risk management is not formally applied to prioritise maintenance tasks.</li> <li>Maintenance costs are measured. However, due to changes in the accounting system, comparisons of budgeted versus actual expenditure did not occur for a significant portion of the financial year</li> </ul>	<ul style="list-style-type: none"> <li>A separate policy document and procedures document should be compiled for asset maintenance.</li> <li>The policy document should be based upon the "Outcome" as stipulated in Table 16 on page 39 of the Audit Guidelines: Electricity, Gas and Water Licences.</li> <li>The procedures document should address the "Effectiveness criteria" as stipulated in Table 16 on page 39 of the Audit Guidelines: Electricity, Gas and Water Licences.</li> <li>Management should develop and document a formal process for the prioritisation of maintenance tasks which is based upon risk assessment.</li> <li>Actual expenditure should be compared against budgeted expenditure on a regular basis.</li> </ul>	<ul style="list-style-type: none"> <li>We are in the process of compiling separate policy and procedure documents for asset maintenance. We will ensure such documents are compiled in accordance with the ERA guidelines.</li> <li>Management at present prioritises operational tasks based on a rational assessment of risk, however this is neither formal nor documented. GWC will examine ways to formalise this in a practical manner.</li> <li>GWC have started the 2011/2012 financial year with updated budgets for expenditure, and actual to budget expenditure reports will be examined monthly by the Management and the Board of Directors.</li> </ul>	Ivor Gaylard (CEO) / April 2012
Asset Management Information	<ul style="list-style-type: none"> <li>All staff has access to edit property details which will indirectly amend the asset register.</li> </ul>	<ul style="list-style-type: none"> <li>Access to edit property details should be restricted.</li> <li>Management should ensure that</li> </ul>	<ul style="list-style-type: none"> <li>Access to edit property details is restricted to administrative staff and controlled through passwords. GWC will</li> </ul>	Ivor Gaylard (CEO) / November 2011

Key Processes	Issue	Recommendation	Post-Audit Action Plan	Person Responsible / Date of Implementation
System	<ul style="list-style-type: none"> <li>Data input into the system is not checked independently for accuracy and completeness.</li> <li>GWC does not compile any performance reports specifically nor management reports, in general, to assist with monitoring of licence obligations (as per CEO).</li> <li>The server is not kept in a locked room.</li> </ul>	<p>independent checking is done to ensure data entered into the system is accurate and complete.</p> <ul style="list-style-type: none"> <li>Management should develop a reporting process to monitor GWC's compliance with their licence obligations.</li> <li>The server should be kept in a locked room to improve physical security therefore.</li> </ul>	<p>review its permissions to ensure the data is as safe as practical, whilst allowing staff to carry out their responsibilities.</p> <ul style="list-style-type: none"> <li>The new irrigation scheme comes complete with electronic recording of water usage via radio signal. This data will be cross-checked when billing is carried out. We will carry out manual reading of meters on a regular basis, as often as is necessary to ensure the data being recorded is correct.</li> <li>Management will examine methods for monitoring GWC's compliance with license obligations.</li> <li>We will install a lock on the door of the room where the server is located</li> </ul>	
Risk Management	<ul style="list-style-type: none"> <li>Risk Management Policy, Risk Register and Risk Record have not been reviewed since 2004.</li> <li>No formal risk treatment plans exist.</li> </ul>	<ul style="list-style-type: none"> <li>Management should ensure the policy and relevant documents associated with risk management is reviewed and updated on a regular basis.</li> <li>Management should ensure that risk treatment plans are compiled, actioned and monitored.</li> </ul>	<ul style="list-style-type: none"> <li>Management will include a scheduled revision of the Risk Management Policy and relevant documents in our shared Microsoft Outlook calendar. A hard copy will be printed out and kept on record as often as necessary.</li> <li>Management will ensure that risk treatment plans are compiled, actioned and monitored</li> </ul>	Ivor Gaylard (CEO) / November 2011
Contingency Planning	<ul style="list-style-type: none"> <li>Contingency Plan has not been reviewed since 2004.</li> <li>Responsibilities of each key member of personnel in the event of any incident are</li> </ul>	<ul style="list-style-type: none"> <li>Management should ensure the contingency plan is reviewed on a regular basis.</li> <li>Management should ensure that the</li> </ul>	<ul style="list-style-type: none"> <li>Management will include a scheduled revision of the Contingency Plan in our shared Microsoft Outlook calendar. A hard copy will be printed out and kept on record as often as necessary.</li> </ul>	Ivor Gaylard (CEO) / October 2011

Key Processes	Issue	Recommendation	Post-Audit Action Plan	Person Responsible / Date of Implementation
	<p>not documented.</p> <ul style="list-style-type: none"> <li>The Contingency Plan has not been formally tested to ensure operating effectiveness.</li> </ul>	<p>contingency plan clearly documents the responsibility of each key member of personnel in the event of any incident.</p> <ul style="list-style-type: none"> <li>The contingency plan should be tested, on a regular basis, for operating effectiveness.</li> </ul>	<ul style="list-style-type: none"> <li>Management will ensure the Contingency Plan clearly documents the responsibility of each key member of personnel in the event of any incident.</li> <li>Management will test the contingency plan, on a regular basis, for operating effectiveness.</li> </ul>	
Financial Planning	<ul style="list-style-type: none"> <li>An 8 year cash flow forecast is maintained. This document covers the period 2011/12 to 2018/19. Furthermore, a 100 year cash flow calculation was compiled across the 4 major asset groups in July 2011. However, these documents do not meet the effectiveness criteria specified.</li> <li>Due to changes in the accounting system, comparisons of budgeted versus actual income/expenditure did not occur for a significant portion of the financial year. This matter is still not resolved.</li> </ul>	<ul style="list-style-type: none"> <li>A comprehensive financial plan should be developed. This Plan should address the “Effectiveness criteria” as stipulated in Table 16 on page 41 of the Audit Guidelines: Electricity, Gas and Water Licences.</li> <li>Actual items of income and expenditure should be compared against budgeted items of income and expenditure respectively, on a regular basis.</li> </ul>	<ul style="list-style-type: none"> <li>Much financial planning has been carried out recently, however this has not been formally documented apart from the eight year cash flow forecast and 100 year asset replacement programme. Management will ensure financial plans are well documented once finalised.</li> <li>Management have started the 2011/2012 financial year with updated budgets for expenditure, actual to budgeted income and expenditure reports will be examined monthly by the Management and the Board of Directors.</li> <li>We will develop a comprehensive financial plan that addresses the effectiveness criteria in the Audit Guidelines</li> </ul>	Ivor Gaylard (CEO) / October 2011/April 2012
Capital Expenditure Planning	<ul style="list-style-type: none"> <li>GWC does not have a generic capital expenditure plan</li> </ul>	<ul style="list-style-type: none"> <li>A comprehensive capital expenditure plan should be developed. This Plan should address the “Effectiveness criteria” as stipulated in Table 16 on page 41 of the Audit Guidelines: Electricity, Gas and Water Licences.</li> </ul>	<ul style="list-style-type: none"> <li>GWC recent capital expenditure is mostly related to the replacement of the main pipeline. This whole process has been well documented. Management will ensure that all future capital expenditure is also well documented, and that it</li> </ul>	Ivor Gaylard (CEO) / January 2012 /Ongoing

Key Processes	Issue	Recommendation	Post-Audit Action Plan	Person Responsible / Date of Implementation
			addresses the "Effectiveness Criteria" as stipulated in the ERA guidelines.	
Review of AMS	<ul style="list-style-type: none"> <li>A review process is not in place for the Asset Management Plan.</li> </ul>	<ul style="list-style-type: none"> <li>Management should institute a review process for the Asset Management Plan which is repeated at regular intervals.</li> </ul>	<ul style="list-style-type: none"> <li>Management will include a scheduled revision of the Asset Management Plan in our shared Microsoft Outlook calendar. A hard copy will be printed out and kept on record as often as necessary.</li> </ul>	Ivor Gaylard (CEO) / October 2011

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# 2

## Audit/Review Scope

### 2.1 Objectives and Scope

#### 2.1.1 Operational Audit

The objective of the audit was to provide an assessment of the effectiveness of measures taken by the licensee to meet the obligations of the performance and quality standards referred to in the licence.

The audit has identified areas where improvement is required and recommended corrective actions as deemed necessary.

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

The scope of the audit covered the following areas:

- **Risk Assessment** – the risks imposed by non-compliance with the licence standards and development of a risk-based audit plan to focus on the higher risks 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 prescribe in the licence throughout the audit period;
- **Output Compliance** – the existence of 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 Reporting** – the completeness and accuracy of the compliance and performance reports provided by the Authority; and
- **Compliance with any individual licence conditions** – the requirements imposed on the specific licensee by the Authority or specific issues that are advised by the Authority.

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### 2.1.2 Asset Management Review

The objectives of the Asset Management System (AMS) review was to assess the measures taken by the licensee for the proper management of assets used in the provision and operation of services and, where appropriate, the construction or alternation of relevant assets.

The AMS review focused on the asset management system, including asset management plans, which set out the measures to be taken by the licensee for the proper operation and maintenance of assets.

The scope of the AMS review covered the following key processes:

- Asset Planning;
- Asset Creation / Acquisition;
- Asset Disposal;
- Environmental Analysis;
- Asset Operations;
- Asset Maintenance;
- Asset Management Information System;
- Risk Management;
- Contingency Planning;
- Financial Planning;
- Capital Expenditure Planning; and
- Review of AMS

## 2.2 Methodology

### 2.2.1 Fieldwork – Operational Audit

- Conducted an initial meeting with relevant staff at Gascoyne Water and reviewed processes to obtain an understanding of procedures, systems and controls in place to ensure compliance with license conditions;
- Evaluated the adequacy of the controls to cover the identified risks and performed more extensive audit testing of higher risk areas to provide sufficient assurance and confirm lower risk areas by discussion and observation;
- Assessed compliance with license conditions over the audit period as well as at the time of the audit;
- Followed up and confirmed action taken on any previous audit recommendations;
- Researched the issues, weaknesses and potential improvements noted from our discussions and review of the existing processes; and
- Developed appropriate recommendations for improvement for discussion with management.

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### 2.2.2 Fieldwork – Asset Management Review

- Conducted an initial meeting with relevant staff at Gascoyne Water and reviewed processes to obtain an understanding of procedures, systems and controls in place to ensure effective asset management;
- Analysed the licensee's documented procedures and processes for the planning, construction, operation and maintenance of assets to assess whether they are consistent with regulatory requirement, arrangements under the licence and the ERA's Audit Guidelines Electricity, Gas and Water;
- Evaluated the adequacy of the controls to cover the identified risks and performed more extensive audit testing of higher risk areas to provide sufficient assurance and confirmed lower risk areas by discussion and observation;
- Followed up and confirmed action taken on any previous audit recommendations;
- Researched the issues, weaknesses and potential improvements noted from our discussions and review of the existing processes; and
- Developed appropriate recommendations for improvement for discussion with management.

### 2.2.3 Audit Reporting

- Prior to the conclusion of the audit visit, discussed any observations and recommendations with the representative of the licensee to confirm understanding of the issue and to agree upon the action to be taken.
- Provided a draft report to the licensee for review and response to the recommendations in a 'post-audit implementation plan', including the proposed corrective action and timeframe.
- Provided a final draft report, including the post-audit implementation plan, to the Authority for final review and acceptance of the report no later than two weeks before the final report is to be issued.
- Upon acceptance by the Authority, provided a copy of the final report (electronic in Word or PDF format) to the licensee who then provided an electronic copy and three printed copies of the report to the Authority.
- The Authority may make and publicly distribute copies of the final report and publish results in their entirety or in a comparative report. The Authority will make the report publicly available on the ERA website after the Authority has fulfilled its statutory functions (for example, advising the relevant Minister on the outcomes of the review).

## 2.3 Time Period Covered in Audit/Review

The audit covered the period from 1 May 2010 to 30 April 2011.

## 2.4 Time Period of Audit/Review

The audit was conducted from 1 August 2011 to 10 August 2011.

## 2.5 Licensee’s Representatives

Gascoyne Water primary contacts are as follows:

Staff	Position
Ivor Gaylard	Chief Executive Officer
Joe Rebola	Public Relations Officer
Lisa Hodson	Administration Officer

## 2.6 Key Documents and Other Information Sources

### 2.6.1 Operational Audit

- Audit Guidelines: Electricity, Gas and Water Licences (Date: August 2010)
- Gascoyne Water Cooperative Limited - Operating Licence (Date: 15<sup>th</sup> May 2009)
- Operational Audit and Asset Management Review - Audit Report (Date: 1<sup>st</sup> October 2010)
- Gascoyne Water Cooperative Limited - Operating Area (Plan No.: OWR-OA-177)
- Customer Service Charter (Date: 23<sup>rd</sup> September 2010)
- Customer Complaint Procedure
- Customer Complaints Register
- Notice of ‘Non-Potable Supply’
- Gascoyne Water Cooperative Limited - Annual Report 2009-10
- Annual General Meeting Minutes 2010
- Notification of Amendment of Operating Licence
- Articles of Association of Gascoyne Water Cooperative Limited (Date 21<sup>st</sup> June 2006)
- Minutes of Board Meetings (No.: 105 to 117)

### 2.6.2 Asset Management Review

- Audit Guidelines: Electricity, Gas and Water Licences (Date: August 2010)
- Operational Audit and Asset Management Review - Audit Report (Date: 1<sup>st</sup> October 2010)
- Gascoyne Water Co-operative – Strategic Plan 2004 – 2019
- Carnarvon Irrigation Area - Asset Management Plan
- Gascoyne Water Co-operative - Business Plan 2004-2006
- Gascoyne Water Asset Mutual Co-operative - Business Case for the

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Upgrade of the Gascoyne Irrigation Pipeline (November 2008)

- Gascoyne Water Co-operative Limited – Asset Register

## 2.7 Audit/Review Team Members and Hours Utilised

Staff	Hours
Cameron Palassis – Director - Paxon Group	25
Tony Shaw – Director - Shawmac	10
Anton Prinsloo – Senior Audit Consultant – Paxon Group	55
<b>TOTAL</b>	<b>90</b>

# 3

## Licensee’s Response to Previous Audit Recommendations

### 3.1 Operational Audit

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved / Unresolved
Sch 3, Cl 3.2(c)	<ul style="list-style-type: none"> <li>It is noted that Gascoyne Water is currently in the process of updating their Customer Service Charter to correctly reflect the amended licence, that is, complaints will be resolved within 15 business days of being notified of their existence.</li> </ul>	<ul style="list-style-type: none"> <li>The Customer Service Charter was amended on 28 June 2010 and stipulates: “Gascoyne Water Co-operative must resolve complaints within 15 business days.”</li> </ul>	No further action is required	Resolved
Sch 3, Cl. 3.2(d)	<ul style="list-style-type: none"> <li>Officers in charge of resolving the complaints should ensure that they sign off on the Complaints Register once the complaint has been resolved.</li> </ul>	<ul style="list-style-type: none"> <li>All complaints checked were appropriately signed off in the register by the person responsible for closing the complaint.</li> </ul>	No further action is required	Resolved
Cl.7, Sch 3, Cl.2	<ul style="list-style-type: none"> <li>Gascoyne Water should ensure that the Customer Service Charter is reviewed and sent for Authority’s approval within the approved timeframe and issue the amended Customer Service Charter to all</li> </ul>	<ul style="list-style-type: none"> <li>Three separate revisions were performed of the Customer Service Charter in the 2010 calendar year.</li> <li>A number of extensions were granted by the ERA to GWC for the submission of the</li> </ul>	<ul style="list-style-type: none"> <li>All correspondence with the ERA should be filed in date sequence to ensure completeness and easy access to documentation.</li> <li>A formalised reminder mechanism</li> </ul>	Unresolved

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved / Unresolved
	customers at least once in every three year period.	<p>updated Customer Service Charter. However, documentation in support of these extensions is incomplete. Compliance with the deadlines provided by the ERA thus cannot be established.</p> <ul style="list-style-type: none"> <li>The charter was approved by the ERA on 20 December 2010.</li> <li>After the ERA approval in December 2010, the amended Customer Service Charter was made available to new customers but only to those existing customers who requested a copy.</li> </ul>	<p>should be put in place to ensure the Customer Service Charter is reviewed and the ERA's approval is obtained therefore, all within the approved timeframe.</p> <ul style="list-style-type: none"> <li>Gascoyne Water should provide copies of the approved Customer Service Charter to all customers: <ul style="list-style-type: none"> <li>after ERA approval of any changes thereto; and</li> <li>at least once in every three year period.</li> </ul> </li> </ul>	
Cl.8, Sch 3, Cl.4.4	<ul style="list-style-type: none"> <li>Gascoyne Water should ensure that the agenda for the Annual General Meeting include: <ul style="list-style-type: none"> <li>(i) season opening and closing conditions;</li> <li>(ii) tariffs; and</li> <li>(iii) scheme operations as required by the Licence.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>From the minutes for the Eight Annual General Meeting, it is evident: <ul style="list-style-type: none"> <li>(i) Season opening and closing conditions;</li> <li>(ii) Tariffs; and</li> <li>(iii) Scheme operation were not discussed.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The agenda for the meeting should include items for discussion of season opening and closing conditions, tariffs and the scheme operation.</li> <li>Such discussions should take place during the meeting and be included in the minutes.</li> </ul>	Unresolved
Sch 4, Cl.1	<ul style="list-style-type: none"> <li>Management needs to amend Customer Service Charter to reflect that customers will be given 5 business days notice for all planned service interruptions.</li> </ul>	<ul style="list-style-type: none"> <li>The Customer Service Charter was amended on 28 June 2010 and stipulates: "If a planned disruption to supply is required we will endeavour to advise all customers affected in writing at least 5 business days before the disruption occurs".</li> <li>However, this amended stipulation by use of the word 'endeavour' sets a lower compliance standard than that</li> </ul>	<ul style="list-style-type: none"> <li>The Customer Service Charter should be amended to be in accordance with the licence requirements. As such, the word 'endeavour' should be omitted from the amended stipulation.</li> </ul>	Unresolved

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved / Unresolved
		prescribed in the licence. As such, it will be possible for the licensee to comply with the Customer Service Charter stipulation without meeting the licence criteria.		
Sch 4, Cl.1	<ul style="list-style-type: none"> <li>Management needs to perform regularly testing of water to ensure that it contains less than 1200 mg/L TDS.</li> </ul>	<ul style="list-style-type: none"> <li>The Water Corporation performs regular water testing on behalf of GWC. Tests were performed on 29/09/10 and 22/03/11. Both tests indicated total filterable solids as being less than 1200 mg/L.</li> </ul>	No further action is required	Resolved
Cl.21.2, Sch 5, Cl.2.1	<ul style="list-style-type: none"> <li>Gascoyne Water should develop formalised documented procedures capturing all the compliance requirements under the licence. This document should also capture the assigned responsibility and deadlines for each task.</li> </ul>	<ul style="list-style-type: none"> <li>A breach of legislation occurred in that both the annual water licence compliance report (due on 31 August 2010) and the annual license performance report (due 31 July 2010) were submitted late. Both reports were only submitted on 23 September 2010 after further deadlines were not complied with.</li> </ul>	<ul style="list-style-type: none"> <li>A formalised reminder mechanism should be put in place to ensure all reporting deadlines for the ERA is met.</li> <li>The continuity of administrative support should be ensured through documented assignment of duties and procedure manuals that cover all administrative tasks.</li> </ul>	Unresolved
Sch 6, Cl.2.1 Cl. 12 (Version IL/38)	<ul style="list-style-type: none"> <li>Gascoyne Water should develop a "Conditions of Connection" document and ensure that the document is made available to all applicants for connections and people inquiring about connection.</li> </ul>	<ul style="list-style-type: none"> <li>The Customer Service Charter was amended on 28 June 2010 and now includes a whole section which deals with "Customer Connection".</li> </ul>	No further action is required	Resolved

### 3.2 Asset Management Review

Licence Reference	Condition	Recommendation	Action Taken	Further Action Required	Resolved / Unresolved
Asset Planning		<ul style="list-style-type: none"> <li>Management should ensure that the Asset Management Plan is reviewed and updated on a regular basis.</li> </ul>	<ul style="list-style-type: none"> <li>The Asset Management Plan was compiled in July 2004 and has not been updated since.</li> </ul>	<ul style="list-style-type: none"> <li>Management should ensure that the Asset Management Plan is reviewed and updated on a regular basis.</li> </ul>	Unresolved
Asset Creation and Acquisition		<ul style="list-style-type: none"> <li>A policy should be formulated for the asset creation and acquisition process.</li> <li>Procedures for asset creation and acquisition must also be developed and documented.</li> </ul>	<ul style="list-style-type: none"> <li>A combined policy and procedure document for asset creation and acquisition was compiled. The document does address 3 of the 5 effectiveness criteria on a very basic level. However, it does not:                             <ul style="list-style-type: none"> <li>Address these 3 criteria in adequate detail; and</li> <li>Contains no reference to commissioning tests nor legal/environmental/safety obligations.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The policy and procedures should be addressed in separate documents.</li> <li>The policy document should be based upon the "Outcome" as stipulated in Table 16 on page 38 of the Audit Guidelines: Electricity, Gas and Water Licences.</li> <li>The procedures should address the "Effectiveness criteria" as stipulated in Table 16 on page 38 of the Audit Guidelines: Electricity, Gas and Water Licences.</li> </ul>	Unresolved
Asset Disposal		<ul style="list-style-type: none"> <li>A policy should be formulated for the asset disposal process.</li> <li>Procedures for asset disposal must also be developed and documented.</li> </ul>	<ul style="list-style-type: none"> <li>A short summary, included in the combined policy and procedure document for asset creation/acquisition deal with asset disposals. However, it is neither a policy document nor a detailed procedure document.</li> </ul>	<ul style="list-style-type: none"> <li>The policy and procedures should be addressed in separate documents.</li> <li>The policy document should be based upon the "Outcome" as stipulated in Table 16 on page 38 of the Audit Guidelines: Electricity, Gas and Water Licences.</li> <li>The procedures should address the "Effectiveness criteria" as stipulated in Table 16 on page 38 of the Audit Guidelines: Electricity, Gas and Water Licences.</li> </ul>	Unresolved

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved / Unresolved
Environmental Analysis	<ul style="list-style-type: none"> <li>Management should ensure that reporting against performance standards are done on a regular basis.</li> </ul>	<ul style="list-style-type: none"> <li>Performance standards are identified in the Asset Management Plan. However, performance standards are not measured nor reported to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>Management should ensure measurement of, and reporting against performance standards is done on a regular basis.</li> </ul>	Unresolved
Asset Operations	<ul style="list-style-type: none"> <li>Management should develop a more formalised process for the prioritisation of operational tasks to demonstrate how risk management is applied in the process.</li> <li>Asset register should include the assessment of asset's physical/structure condition.</li> </ul>	<ul style="list-style-type: none"> <li>Risk management is not formally applied to prioritise operational tasks.</li> <li>Asset register does not include the assessment of indicated assets' physical/structural condition.</li> </ul>	<ul style="list-style-type: none"> <li>Management should develop and document a formal process for the prioritisation of operational tasks which is based upon risk assessment.</li> <li>Asset register should include the assessment of assets' physical/structural condition.</li> </ul>	Unresolved
Asset Maintenance	<ul style="list-style-type: none"> <li>A policy should be formulated for asset maintenance.</li> <li>Procedures for asset maintenance must also be developed and documented.</li> <li>Management should develop a more formalised process for the prioritisation of maintenance tasks to demonstrate how risk management is applied in the process.</li> </ul>	<ul style="list-style-type: none"> <li>A maintenance plan is included in the Asset Management Plan However, it does not constitute a policy document and disclose inadequate detail of the procedures to be undertaken.</li> <li>Risk management is not formally applied to prioritise maintenance tasks.</li> </ul>	<ul style="list-style-type: none"> <li>A separate policy document and procedures document should be compiled for asset maintenance.</li> <li>The policy document should be based upon the "Outcome" as stipulated in Table 16 on page 39 of the Audit Guidelines: Electricity, Gas and Water Licences.</li> <li>The procedures document should address the "Effectiveness criteria" as stipulated in Table 16 on page 39 of the Audit Guidelines: Electricity, Gas and Water Licences.</li> <li>Management should develop and document a formal process for the prioritisation of maintenance tasks which is based upon risk assessment.</li> </ul>	Unresolved

Licence Reference	Condition	Recommendation	Action Taken	Further Action Required	Resolved / Unresolved
Asset Management Information System		<ul style="list-style-type: none"> <li>Access to edit property details should be limited.</li> <li>Management should ensure that daily backup tapes are kept offsite to reduce risk of loss of data.</li> <li>Management should ensure that independent checking is done to ensure data entered into system is accurate.</li> <li>Management should develop a reporting process to monitor Gascoyne Water's compliance with their licence obligations</li> </ul>	<ul style="list-style-type: none"> <li>All staff has access to edit property details which will indirectly amend the asset register.</li> <li>Daily back-up tapes are stored in a fire-proof safe. Weekly, a third backup is taken and kept off site.</li> <li>Data input into the system is not checked independently for accuracy and completeness.</li> <li>No performance reports specifically nor management reports, in general, are compiled to assist with monitoring of licence obligations.</li> </ul>	<ul style="list-style-type: none"> <li>Access to edit property details should be restricted.</li> <li>Management should ensure that independent checking is done to ensure data entered into the system is accurate and complete.</li> <li>Management should develop a reporting process to monitor GWC's compliance with their licence obligations.</li> </ul>	Unresolved
Risk Management		<ul style="list-style-type: none"> <li>Management should ensure that all policy and relevant documents associated with risk management is reviewed and updated on a regular basis.</li> </ul>	<ul style="list-style-type: none"> <li>Risk Management Policy, Risk Register and Risk Record have not been reviewed since 2004.</li> </ul>	<ul style="list-style-type: none"> <li>Management should ensure the policy and relevant documents associated with risk management is reviewed and updated on a regular basis.</li> </ul>	Unresolved
Contingency Planning		<ul style="list-style-type: none"> <li>Management should ensure that contingency plan is reviewed on a regular basis.</li> <li>Management should ensure that the contingency plan clearly document the responsibility of each key personnel in the event of any incident.</li> <li>The contingency plan should be tested for operating effectiveness.</li> </ul>	<ul style="list-style-type: none"> <li>Contingency Plan has not been reviewed since 2004.</li> <li>Responsibilities of each key member of personnel in the event of any incident are not documented.</li> <li>The Contingency Plan has not been formally tested to ensure operating effectiveness.</li> </ul>	<ul style="list-style-type: none"> <li>Management should ensure the contingency plan is reviewed on a regular basis.</li> <li>Management should ensure that the contingency plan clearly documents the responsibility of each key member of personnel in the event of any incident.</li> <li>The contingency plan should be tested, on a regular basis, for operating effectiveness.</li> </ul>	Unresolved
Financial Planning		<ul style="list-style-type: none"> <li>Management should ensure that financial plan is reviewed on a regular</li> </ul>	<ul style="list-style-type: none"> <li>An 8 year cash flow forecast is maintained. This document covers the</li> </ul>	<ul style="list-style-type: none"> <li>A comprehensive financial plan should be developed. This Plan should address the</li> </ul>	Unresolved

Licence Reference	Condition	Recommendation	Action Taken	Further Action Required	Resolved / Unresolved
		<p>basis.</p> <ul style="list-style-type: none"> <li>A more detailed financial plan should be developed which incorporates: <ul style="list-style-type: none"> <li>financial objectives and strategies and actions to achieve objectives;</li> <li>projections of operating statement, statement of financial position; and predictions on income.</li> </ul> </li> </ul>	<p>period 2011/12 to 2018/19. Furthermore, a 100 year cash flow calculation was compiled across the 4 major asset groups in July 2011. However, these documents do not meet the effectiveness criteria specified.</p>	<p>“Effectiveness criteria” as stipulated in Table 16 on page 41 of the Audit Guidelines: Electricity, Gas and Water Licences.</p>	
Capital Expenditure Planning		<ul style="list-style-type: none"> <li>Management should develop a capital expenditure plan.</li> </ul>	<ul style="list-style-type: none"> <li>GWC does not have a generic capital expenditure plan</li> </ul>	<ul style="list-style-type: none"> <li>A comprehensive capital expenditure plan should be developed. This Plan should address the “Effectiveness criteria” as stipulated in Table 16 on page 41 of the Audit Guidelines: Electricity, Gas and Water Licences</li> </ul>	Unresolved
Review of AMS		<ul style="list-style-type: none"> <li>Management should have a review process in place.</li> <li>Management should ensure that the Asset Management Plan is reviewed and updated on a regular basis.</li> </ul>	<ul style="list-style-type: none"> <li>A review process is not in place for the Asset Management Plan.</li> </ul>	<ul style="list-style-type: none"> <li>Management should institute a review process for the Asset Management Plan which is repeated at regular intervals.</li> </ul>	Unresolved

# 4 Performance Summary

## 4.1 Operational Audit

### 4.1.1 Compliance Rating Scale

Compliance Status	Rating	Description of Compliance
Compliant	5	<ul style="list-style-type: none"> <li>Compliant with no further action required to maintain compliance.</li> </ul>
Compliant	4	<ul style="list-style-type: none"> <li>Compliant apart from minor or immaterial recommendations to improve the strength of internal controls to maintain compliance.</li> </ul>
Compliant	3	<ul style="list-style-type: none"> <li>Compliant with major or material recommendations to improve the strength of internal controls to maintain compliance.</li> </ul>
Non-Compliant	2	<ul style="list-style-type: none"> <li>Does not meet minimum requirements.</li> </ul>
Significantly Non-Compliant	1	<ul style="list-style-type: none"> <li>Significant weaknesses and/or serious action required.</li> </ul>
Not Applicable	N/A	<ul style="list-style-type: none"> <li>Determined that the compliance obligation does not apply to the licensee's business operations.</li> </ul>
Not Rated	N/R	<ul style="list-style-type: none"> <li>No relevant activity took place during the audit period; therefore it is not possible to assess compliance.</li> </ul>

### 4.1.2 Operational Audit Compliance Summary

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 (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 4.1 for details)						
								1	2	3	4	5	N/A	N/R
Grant of Licence			Cl.2.1, Sch 1, Sch 2	1	C	L	S					✓		
Fees			Cl.4	2	C	M	S							✓
Compliance with Legislation			Cl.5	3	C	H	S		✓					
Customer	Complaints	and	Cl.6, Sch	2	B	M	M			✓				

Operating Area	Operating Licence Reference (CL = clause, Sch= schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=unlikely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 4.1 for details)						
						1	2	3	4	5	N/A	N/R
Investigations, Conciliation and Arbitration	3, Cl.3											
Customer Charter	Cl.7, Sch3, Cl.2	2	C	M	M			✓				
Customer Consultation	Cl.8, Sch3, Cl.4	2	C	M	M			✓				
Customer Contracts	Sch 3, Cl.5	2	C	M	S							✓
Customer Surveys	Sch 3, Cl.6	1	C	L	S							✓

Operating Area	Operating Licence Reference (CL = clause, Sch= schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=unlikely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 4.1 for details)										
						1	2	3	4	5	N/A	N/R				
Transfer of Licence	Cl.10	N/A - The Authority has the ability to independently assess compliance if the clause if exercised during the audit period.											✓			
Cancellation of Licence	Cl.11															✓
Surrender of Licence	Cl.12															✓
Renewal of Licence	Cl.13															✓
Amendment of Licence	Cl.14															✓
Accounting Records	Cl.15	3	B	H	S					✓						
Operational Audit	Cl.16	1	C	L	S		✓									
Asset Management System	Cl.17	3	B	H	S		✓									

Operating Area	Operating Licence Reference (CL = clause, Sch= schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=unlikely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 4.1 for details)							
						1	2	3	4	5	N/A	N/R	
Reporting	Cl.18	1	C	L	S								✓
Individual Performance Standards	Cl.19	3	B	H	S								✓
Service and Performance Standards	Cl.20, Sch 4	3	B	H	M			✓					
Provision of any Information to the Authority	Cl.21.1	1	C	L	W		✓						
Information Requirements (Reporting) – Benchmarking and Performance Monitoring Information	Cl.21.2, Sch 5	1	C	L	W		✓						
Information Requirements	Cl. 21.2,	1	C	L	W								✓

Operating Area	Operating Licence Reference (CL = clause, Sch= schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=unlikely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 4.1 for details)						
						1	2	3	4	5	N/A	N/R
(Reporting) – Incident Reports	Sch 5, Cl.3											
Publishing Information	Cl.22	1	C	L	W							✓
Notices	Cl.23.1	1	C	L	S					✓		
Review of Authority’s Decisions	Cl.24	1	C	L	M							✓
Other Provisions: Obligations to Customers: Availability and Connection of Services	Sch 6, Cl.2	3	B	H	M					✓		

### 4.1.3 Observations and Recommendations

Operating Area	Operating Licence Reference	Systems, Processes and Controls in place at Gascoyne Water to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Grant of Licence	Cl.2.1, Sch 1, Sch 2	<ul style="list-style-type: none"> <li>▪ Water services are provided to those areas designated by Plan Number OWR-OA-177(B).</li> <li>▪ The new pipeline been laid is within the boundary lines. On the southern side it is close to the boundary border. However, the adjacent area, outside the southern boundary line, is a wasteland and therefore there is an acceptable risk of misuse of water.</li> <li>▪ Irrigation lines are not available close to the boundary lines for the old pipeline.</li> </ul>	<ul style="list-style-type: none"> <li>▪ None</li> </ul>	5
Fees	Cl.4	<ul style="list-style-type: none"> <li>▪ No fees to be paid during the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>▪ None</li> </ul>	N/R
Compliance with Legislation	Cl.5	<ul style="list-style-type: none"> <li>▪ Gascoyne Water is required to comply with the Water Services Licensing Act 1995 (WA) and the Co-operative Act 2009.</li> <li>▪ The key legislative requirements are incorporated into the licence.</li> <li>▪ GWC has not changed either it's Customer Service Charter nor it's Articles of Association to accommodate the stipulations of the Co-operative Act 2009.</li> <li>▪ A breach of legislation occurred in that both the annual water licence compliance report (due on 31 August 2010) and the annual license performance report (due 31 July 2010) were submitted late. Both reports were only submitted on 23 September 2010 after further deadlines were not complied with.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Amendments to both the Customer Service Charter and Articles of Association of GWC are required to comply with the Co-operative Act 2009.</li> <li>▪ A formalised reminder mechanism should be put in place to ensure all reporting deadlines for the ERA is met.</li> <li>▪ The continuity of administrative support should be ensured through documented assignment of duties and procedure manuals that cover all administrative tasks.</li> </ul>	2

Operating Area	Operating Licence Reference	Systems, Processes and Controls in place at Gascoyne Water to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<ul style="list-style-type: none"> <li>▪ However, both reports for the next year were submitted prior to the due dates therefore.</li> <li>▪ A second administration officer was appointed.</li> </ul>		
Customer Complaints and Investigations, Conciliation and Arbitration	Cl.6, Sch 3, Cl.3	<ul style="list-style-type: none"> <li>▪ A Customer Complaints Register is maintained both in hard copy and electronically. All complaint forms are filed in the hard copy version thereof. However, there appears to be a gap from 05/12/2009 to 19/09/2010 for which no customer complaints can be found.</li> <li>▪ A complaints procedures manual is in place. Procedures, in the manual, are closely followed.</li> <li>▪ A unique identifying complaint number is not assigned for each complaint.</li> <li>▪ A trained Administration Officer is available in the office for dealing with customer complaints.</li> <li>▪ All staffs are trained on the procedures for dealing with customer complaints.</li> <li>▪ The minor complaints are verbally reported to the Board. Major complaints will be reported to Board formally and minuted.</li> <li>▪ The complaints procedure manual states that all complaints are to be resolved within 21 calendar days (which equates to 15 business days). This is also stated in the Customer Services Charter, which is made available to all customers.</li> <li>▪ The procedures for recording and responding</li> </ul>	<ul style="list-style-type: none"> <li>▪ All customer complaint forms should be filed in chronological order in the complaints file.</li> <li>▪ A unique complaint number should be assigned for each individual complaint.</li> </ul>	3

Operating Area	Operating Licence Reference	Systems, Processes and Controls in place at Gascoyne Water to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<p>to complaints are recorded in Gascoyne's Water complaints procedures manual. Customers can lodge a complaint with GWC either in writing, over the phone or in person (at the office or in the field).</p>		
Customer Charter	Cl.7, Sch3, Cl.2	<ul style="list-style-type: none"> <li>▪ Three separate revisions were performed of the Customer Service Charter in the 2010 calendar year.</li> <li>▪ A number of extensions were granted by the ERA to GWC for the submission of the updated Customer Service Charter. However, documentation in support of these extensions is incomplete. Compliance with the deadlines provided by the ERA thus cannot be established.</li> <li>▪ The charter was approved by the ERA on 20 December 2010.</li> <li>▪ After the ERA approval in December 2010, the amended Customer Service Charter was made available to new customers but only to those existing customers who requested a copy.</li> <li>▪ The charter is drafted in plain English.</li> <li>▪ The charter addresses all service issues that are reasonably likely to be of concern to its customers.</li> <li>▪ The charter has been drafted to apply to difference classes of customers.</li> <li>▪ A copy of the customer charter is displayed at the GWC's office.</li> <li>▪ The charter is made available at no charge to</li> </ul>	<ul style="list-style-type: none"> <li>▪ All correspondence with the ERA should be filed in date sequence to ensure completeness and easy access to documentation.</li> <li>▪ A formalised reminder mechanism should be put in place to ensure the Customer Service Charter is reviewed and the ERA's approval is obtained therefore, all within the approved timeframe.</li> <li>▪ GWC should provide copies of the approved Customer Service Charter to all customers:               <ul style="list-style-type: none"> <li>▪ after ERA approval of any changes thereto; and</li> <li>▪ at least once in every three year period.</li> </ul> </li> </ul>	3

Operating Area	Operating Reference	Licence Systems, Processes and Controls in place at Gascoyne Water to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<p>the customer via the internet and office reception.</p> <ul style="list-style-type: none"> <li>▪ GWC provides its services consistent with the charter.</li> </ul>		
Customer Consultation	Cl.8, Sch3, Cl.4	<ul style="list-style-type: none"> <li>▪ GWC did not establish a Customer Council, but instituted other processes as discussed below</li> <li>▪ The “Gascoyne Water Comment” newsletter was not circulated at all during the audit period.</li> <li>▪ The Seventh Annual General Meeting was held on 16 June 2009. It is noted that the minutes are not kept in a register and are not signed by the Chairman.</li> <li>▪ The Eighth Annual General Meeting was held on 20 October 2010. Even though members were given the opportunity to view their opinions on the performance and operation of the scheme, this fact was not minuted</li> <li>▪ From the minutes for the Eight Annual General Meeting it is evident:               <ul style="list-style-type: none"> <li>(a) Season opening and closing conditions;</li> <li>(b) Tariffs; and</li> <li>(c) Scheme operation</li> </ul>               were not discussed.             </li> <li>▪ A number of special meetings were held during the audit period.</li> <li>▪ Workshops are also delivered on a needs basis.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The newsletter should be circulated approximately four to six times per annum.</li> <li>▪ The minutes should be kept in a register and should be signed by the chairman.</li> <li>▪ The agenda for the meeting should include an item for discussion of customer views on performance and operation of the scheme.</li> <li>▪ The minutes of the meeting should disclose the fact members were given an opportunity to discuss the performance and operation of the scheme.</li> <li>▪ The agenda for the meeting should include items for discussion of season opening and closing conditions, tariffs and the scheme operation.</li> <li>▪ Such discussions should take place during the meeting and be included in the minutes.</li> </ul>	3

Operating Area	Operating Licence Reference	Systems, Processes and Controls in place at Gascoyne Water to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Customer Contracts	Sch 3, Cl.5	<ul style="list-style-type: none"> <li>GWC has not entered into any customer contracts to provide water services that exclude, modify or restrict the terms and conditions of the licence.</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	N/R
Customer Surveys	Sch 3, Cl.6	<ul style="list-style-type: none"> <li>The Authority did not require GWC to commission an independent customer survey.</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	N/R
Transfer of Licence	Cl.10	<ul style="list-style-type: none"> <li>The licence was not transferred.</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	N/R
Cancellation of Licence	Cl.11	<ul style="list-style-type: none"> <li>The licence was not cancelled.</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	N/R
Surrender of Licence	Cl.12	<ul style="list-style-type: none"> <li>The licence was not surrendered.</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	N/R
Renewal of Licence	Cl.13	<ul style="list-style-type: none"> <li>The licence only expires on the 23rd May 2028.</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	N/R
Amendment of Licence	Cl.14	<ul style="list-style-type: none"> <li>No amendment of the license occurred during the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	N/R
Accounting Records	Cl.15	<ul style="list-style-type: none"> <li>QuickBooks accounting software is used to maintain accounting records.</li> <li>Admin Officer received training from the QuickBooks consultant on system usage.</li> <li>External accountant is engaged as GWC's accountant.</li> <li>An annual audit is conducted of the financial statements of GWC by an independent party. The auditor expressed an unqualified opinion on the financial report for GWC and its controlled entities, for the year ended 31 December 2009.</li> <li>Note 1 to that financial report states the report has been prepared in accordance with Australian Accounting Standards and the Companies (Co-operative ) Act 1943.</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	5

Operating Area	Operating Licence Reference	Systems, Processes and Controls in place at Gascoyne Water to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Operational Audit	Cl.16	<ul style="list-style-type: none"> <li>▪ The independent auditor appointed for the 2007/2010 audit was approved by the ERA.</li> <li>▪ The audit plan for the 2007/2010 audit was approved by the ERA.</li> <li>▪ An audit report, dated 1 October 2010, was issued in respect of both the operational audit and asset management system review.</li> <li>▪ The report for the operational audit and asset management system review, covering the period 1 May 2007 to 30 April 2010, was overdue. The report for the audit and review was due on 31 July 2010. However, the report was only submitted to the ERA on 1 October 2010.</li> <li>▪ The audit report, dated 1 October 2010, appears on the ERA (WA) website</li> </ul>	<ul style="list-style-type: none"> <li>▪ A formalised reminder mechanism should be put in place to ensure all reporting deadlines for the ERA is met.</li> </ul>	2
Asset Management System	Cl.17	<ul style="list-style-type: none"> <li>▪ No material changes were made to the asset management system during audit period.</li> <li>▪ The independent auditor appointed for the 2007/2010 review was approved by the ERA.</li> <li>▪ The audit plan for the 2007/2010 review was approved by the ERA.</li> <li>▪ An audit report, dated 1 October 2010, was issued in respect of both the operational audit and asset management system review.</li> <li>▪ The report for the operational audit and asset management system review, covering the period 1 May 2007 to 30 April 2010, was overdue. The report for the audit and review was due on 31 July 2010. However, the report was only submitted to the ERA on 1</li> </ul>	<ul style="list-style-type: none"> <li>▪ A formalised reminder mechanism should be put in place to ensure all reporting deadlines for the ERA is met.</li> </ul>	2

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at Gascoyne Water to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p>October 2010.</p> <ul style="list-style-type: none"> <li>The audit report dated 1 October 2010 appears on the ERA (WA) website</li> </ul>		
Reporting	Cl.18		<ul style="list-style-type: none"> <li>Gascoyne Water is not under external administration and has not experienced a significant change in its corporate, financial or technical circumstances.</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	N/R
Individual Performance Standards	Cl.19		<ul style="list-style-type: none"> <li>There is not a condition for GWC to comply with. This clause states what the Authority may do in setting individual performance standards.</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	N/R
Service and Performance Standards	Cl.20, Sch 4		<p><b>Service Standard 1</b></p> <ul style="list-style-type: none"> <li>Customers are informed water supplied is not suitable for drinking via the Customer Service Charter.</li> <li>Non-suitability notice is sent to 100% of customers annually.</li> </ul> <p><b>Service Standard 2</b></p> <ul style="list-style-type: none"> <li>Gascoyne Water test its water regularly to ensure it contains less than 1200 mg/L TDS</li> </ul> <p><b>Service Standard 3</b></p> <ul style="list-style-type: none"> <li>A customer complaints register is in place that records all customer complaints.</li> <li>Officers are required to document all complaints on "Gascoyne Water Complaint Register" forms.</li> <li>All customer complaints are filed in the</li> </ul>	<ul style="list-style-type: none"> <li>The Customer Service Charter should be amended to be in accordance with the licence requirements. As such, the word 'endeavour' should be omitted from the amended stipulation.</li> <li>Proper records should be kept of communication with customers to enable measurement of, and reporting on compliance with service standards.</li> </ul>	3

Operating Area	Operating Licence Reference	Systems, Processes and Controls in place at Gascoyne Water to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<p>Customer Complaint Register for record keeping purposes..</p> <ul style="list-style-type: none"> <li>▪ All complaints are reported to the Board. Minor complaints are reported verbally and major complaints are formally reported.</li> <li>▪ 100% of customers complaints recorded in the Customer Complaints Register were resolved within 15 business days.</li> </ul> <p><b>Service Standard 4</b></p> <ul style="list-style-type: none"> <li>▪ The Customer Service Charter was amended on 28 June 2010 and stipulates: “If a planned disruption to supply is required we will endeavour to advise all customers affected in writing at least 5 business days before the disruption occurs”.</li> <li>▪ However, this amended stipulation by use of the word ‘endeavour’ sets a lower compliance standard than that prescribed in the licence. As such, it will be possible for the licensee to comply with the Customer Service Charter stipulation without meeting the licence criteria.</li> <li>▪ Planned service interruptions occurred during audit period and customers were given notice as per the Customer Service Charter.</li> <li>▪ No specific record is kept to indicate which customers were provided with notice of planned service disruptions. As such, it is not possible to calculate the percentage of customers who received such notice. Consequently, GWC’s compliance with the</li> </ul>		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in place at Gascoyne Water to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<p>stipulation that, in the preceding 12 month period, 90% of all customers must receive this service standard cannot be measured.</p>		
<p>Provision of any Information to the Authority</p>	<p>Cl.21.1</p>	<ul style="list-style-type: none"> <li>▪ CEO is responsible to delegate to staff the responsibility to ensure timely provision of any information requested by the Authority.</li> <li>▪ A breach of legislation occurred in that both the annual water licence compliance report (due on 31 August 2010) and the annual license performance report (due 31 July 2010) were submitted late. Both reports were only submitted on 23 September 2010 after further deadlines were not complied with</li> </ul>	<ul style="list-style-type: none"> <li>▪ A formalised reminder mechanism should be put in place to ensure all reporting deadlines for the ERA is met.</li> <li>▪ The continuity of administrative support should be ensured through documented assignment of duties and procedure manuals that cover all administrative tasks.</li> </ul>	<p>2</p>
<p>Information Requirements (Reporting) – Benchmarking and Performance Monitoring of Information</p>	<p>Cl.21.2, Sch 5</p>	<ul style="list-style-type: none"> <li>▪ An annual return is submitted to the Authority in accordance with the requirements in the Water Compliance Reporting Manual.</li> <li>▪ A breach of legislation occurred in that both the annual water licence compliance report (due on 31 August 2010) and the annual license performance report (due 31 July 2010) were submitted late. Both reports were only submitted on 23 September 2010 after further deadlines were not complied with</li> <li>▪ These transgressions were both noted in the Compliance Report issued by GWC for the 2010/2011 year.</li> <li>▪ However, both reports for the next year were submitted prior to the due dates therefore.</li> </ul>	<ul style="list-style-type: none"> <li>▪ A formalised reminder mechanism should be put in place to ensure all reporting deadlines for the ERA is met.</li> <li>▪ The continuity of administrative support should be ensured through documented assignment of duties and procedure manuals that cover all administrative tasks</li> </ul>	<p>2</p>

Operating Area	Operating Licence Reference	Systems, Processes and Controls in place at Gascoyne Water to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Information Requirements (Reporting) – Incident Reports (Operating Licence 38 Version OL1)	Cl. 21.2, Sch 5, Cl.3	<ul style="list-style-type: none"> <li>No such incidents occurred.</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	N/R
Publishing Information	Cl.22	<ul style="list-style-type: none"> <li>The Authority has not directed GWC to publish any information during the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	N/R
Notices	Cl.23.1	<ul style="list-style-type: none"> <li>All notices to the Authority are in writing.</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	5
Review of Authority's Decisions	Cl.24	<ul style="list-style-type: none"> <li>No review of Authority's decisions was sought during the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	N/R
Obligations to Customer: Availability and Connection of Services	Sch 6, Cl.2	<ul style="list-style-type: none"> <li>GWC does have Conditions for Connection which is made available to applicants.</li> <li>All application for service connections must be in writing.</li> <li>Services will be available for connection, in respect of both irrigation water and non-potable water, if the application is approved by the Board.</li> <li>Approvals of applications are recorded in the board minutes</li> <li>GWC will be able to create new infrastructure, if required, as long as the customer is willing to bear the cost</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	5

## 4.2 Asset Management Review

### 4.2.1 Asset Management Process and Policy Definition Adequacy Ratings

Rating	Description	Criteria
A	Adequately defined	<ul style="list-style-type: none"> <li>▪ Processes and polices are documented.</li> <li>▪ Processes and policies adequately document the required performance of the assets.</li> <li>▪ Processes and policies are subject to regular reviews, and updated where necessary.</li> <li>▪ The asset management information system(s) are adequate in relation to the assets that are being managed.</li> </ul>
B	Requires some improvement	<ul style="list-style-type: none"> <li>▪ Process and policy documentation requires improvement.</li> <li>▪ Processes and policies do not adequately document the required performance of the assets.</li> <li>▪ Reviews of processes and policies are not conducted regularly enough.</li> <li>▪ The asset management information (s) requires minor improvements (taking into consideration the assets that are being managed).</li> </ul>
C	Requires significant improvement	<ul style="list-style-type: none"> <li>▪ Process and policy documentation is incomplete or requires significant improvement.</li> <li>▪ Processes and policies do not document the required performance of the assets.</li> <li>▪ Processes and policies are significantly out of date.</li> <li>▪ The asset management information system(s) requires significant improvements (taking into consideration the assets that are being managed).</li> </ul>
D	Inadequate	<ul style="list-style-type: none"> <li>▪ Processes and policies are not documented.</li> <li>▪ The asset management information system (s) is not fit for purpose (taking into consideration the assets that are being managed).</li> </ul>

#### 4.2.2 Asset Management Performance Ratings

Rating	Description	Criteria
1	Performing effectively	<ul style="list-style-type: none"> <li>The performance of the process meets or exceeds the required levels of performance.</li> <li>Process effectiveness is regularly assessed and corrective action taken where necessary.</li> </ul>
2	Opportunity for improvement	<ul style="list-style-type: none"> <li>The performance of the process requires some improvement to meet the required level.</li> <li>Process effectiveness reviews are not performed regularly enough.</li> <li>Process improvement opportunities are not actioned.</li> </ul>
3	Corrective action required	<ul style="list-style-type: none"> <li>The performance of the process requires significant improvement to meet the required level.</li> <li>Process effectiveness reviews are performed irregularly, or not at all.</li> <li>Process improvement opportunities are not actioned.</li> </ul>
4	Serious action required	<ul style="list-style-type: none"> <li>Process is not performed, or the performance is so poor that the process is considered to be ineffective.</li> </ul>

### 4.2.3 Asset Management Effectiveness Summary

Asset Management System	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset planning	B	2
Asset creation/acquisition	B	2
Asset disposal	C	2
Environmental analysis	B	2
Asset operations	B	3
Asset maintenance	C	3
Asset management information system	B	3
Risk management	C	3
Contingency planning	C	3
Financial planning	C	3
Capital expenditure planning	D	3
Review of AMS	C	3

#### 4.2.4 Observations and Recommendations

Asset Management System	Systems, Processes and Controls in place at Gascoyne Water for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset planning	<ul style="list-style-type: none"> <li>▪ A Strategic Plan exists. The Plan has been drafted to take into account the needs of all stakeholders. Asset planning is an integral part of the Plan.</li> <li>▪ An Asset Management Plan exists. Service levels are defined, in that the Plan has identified the performance requirements and performance standards.</li> <li>▪ Non-asset options are considered as set out in the Vision Statement in the Strategic Plan.</li> <li>▪ Lifecycle costs of owning and operating assets was assessed in the Business Case for the Upgrade of the Gascoyne Irrigation Pipeline.</li> <li>▪ Funding for this project was identified in the Business Case.</li> <li>▪ Cost and cost drivers are identified in the Asset Management Plan.</li> <li>▪ The Strategic Plan contains a Risk Review Summary and Business Risk Rating section which discloses the likelihood and consequences of asset failures.</li> <li>▪ The Strategic Plan was drafted in May 2004 and has not been reviewed since.</li> <li>▪ The Asset Management Plan was compiled in July 2004 and has not been updated since.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Management should ensure that the Strategic Plan is reviewed and updated on a regular basis.</li> <li>▪ Management should ensure that the Asset Management Plan is reviewed and updated on a regular basis.</li> <li>▪ Management should ensure that the Business Plan is reviewed and updated on a regular basis.</li> </ul>	B	2

Asset Management System	Systems, Processes and Controls in place at Gascoyne Water for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<ul style="list-style-type: none"> <li>The latest Business Plan is for the period 2004 – 2006, is dated 1 May 2004 and has not been reviewed since.</li> </ul>			
Asset creation/acquisition	<ul style="list-style-type: none"> <li>A combined policy and procedure document for asset creation and acquisition was compiled. The document does address 3 of the 5 effectiveness criteria on a very basic level. However, it does not:               <ul style="list-style-type: none"> <li>Address these 3 criteria in adequate detail; and</li> <li>Contains no reference to commissioning tests nor legal/environmental/safety obligations.</li> </ul> </li> <li>Evaluations are not undertaken for asset creation if it is driven by customers request for water connection, and installation costs are borne by customers.</li> <li>However, management do undertake evaluations depending on the particulars of the case. For example, the project for the upgrade of the Gascoyne Irrigation Pipeline started in 2008 and is still ongoing. A full project evaluation was undertaken therefore, and is set out in the Business Case.</li> </ul>	<ul style="list-style-type: none"> <li>The policy and procedures should be addressed in separate documents.</li> <li>The policy document should be based upon the “Outcome” as stipulated in Table 16 on page 38 of the Audit Guidelines: Electricity, Gas and Water Licences.</li> <li>The procedures should address the “Effectiveness criteria” as stipulated in Table 16 on page 38 of the Audit Guidelines: Electricity, Gas and Water Licences.</li> </ul>	B	2
Asset disposal	<ul style="list-style-type: none"> <li>A short summary, included in the combined policy and procedure document for asset creation/acquisition deal with asset disposals. However, it is neither a policy document nor a detailed procedure document.</li> <li>Under-utilised and under-performing assets are</li> </ul>	<ul style="list-style-type: none"> <li>The policy and procedures should be addressed in separate documents.</li> <li>The policy document should be based upon the “Outcome” as stipulated in Table 16 on page 38 of the Audit Guidelines: Electricity, Gas and</li> </ul>	C	2

Asset Management System	Systems, Processes and Controls in place at Gascoyne Water for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<p>identified as part of the daily inspections of pipeline and service points conducted. All assets that need work done are reported to Administration Officer and recorded on a Work Order.</p> <ul style="list-style-type: none"> <li>▪ GWC does not dispose of its assets.</li> <li>▪ A 100 year cash flow calculation was compiled across the 4 major asset groups in July 2011. This in essence does constitute a basic replacement strategy.</li> </ul>	<p>Water Licences.</p> <ul style="list-style-type: none"> <li>▪ The procedures should address the “Effectiveness criteria” as stipulated in Table 16 on page 38 of the Audit Guidelines: Electricity, Gas and Water Licences.</li> </ul>		
Environmental analysis	<ul style="list-style-type: none"> <li>▪ Performance standards are identified in the Asset Management Plan. However, performance standards are not measured nor reported to the Board.</li> <li>▪ Opportunities and threats in the system environment were assessed as per the SWOT Analysis in the Strategic Plan. Opportunities are also further discussed in the Asset Management Plan.</li> <li>▪ Compliance with statutory and regulatory requirements is achieved through the annual return submitted to the ERA.</li> <li>▪ Relevant customer service levels identified in Gascoyne Water Customer Service Charter are: <ul style="list-style-type: none"> <li>▪ Advising affected customers in writing at least 5 business days prior to any planned disruption to supply, outlining the reason for the disruption and expected duration;</li> <li>▪ Repair or replacement within 24 hours, of</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Management should ensure measurement of, and reporting against performance standards is done on a regular basis.</li> </ul>	B	2

Asset Management System	Systems, Processes and Controls in place at Gascoyne Water for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<p>any water meter found to be faulty; and</p> <ul style="list-style-type: none"> <li>▪ Resolving complaints within 15 business days.</li> </ul>			
Asset operations	<ul style="list-style-type: none"> <li>▪ Operations Plan is documented in the Asset Management Plan.</li> <li>▪ Risk management is not formally applied to prioritise operational tasks.</li> <li>▪ Asset register documented all the necessary information except for the assessment of indicated assets' physical/structural condition.</li> <li>▪ Operational costs are measured. However, due to changes in the accounting system, comparisons of budgeted versus actual expenditure did not occur for a significant portion of the financial year. This matter is apparently still not resolved.</li> <li>▪ Training is provided on a needs basis. GM is responsible to ensure that all staff attend refresher course when due. All technical staff (field workers) is qualified welders and possesses appropriate "tickets".</li> </ul>	<ul style="list-style-type: none"> <li>▪ Management should develop and document a formal process for the prioritisation of operational tasks which is based upon risk assessment.</li> <li>▪ Asset register should include the assessment of assets' physical/structural condition.</li> <li>▪ Actual expenditure should be compared against budgeted expenditure on a regular basis.</li> </ul>	B	3
Asset maintenance	<ul style="list-style-type: none"> <li>▪ A maintenance plan is included in the Asset Management Plan. However, it does not constitute a policy document and disclose inadequate detail of the procedures to be undertaken.</li> <li>▪ Risk management is not formally applied to prioritise maintenance tasks.</li> </ul>	<ul style="list-style-type: none"> <li>▪ A separate policy document and procedures document should be compiled for asset maintenance.</li> <li>▪ The policy document should be based upon the "Outcome" as stipulated in Table 16 on page 39 of the Audit Guidelines: Electricity, Gas and Water Licences.</li> </ul>	C	3

Asset Management System	Systems, Processes and Controls in place at Gascoyne Water for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<ul style="list-style-type: none"> <li>▪ Maintenance costs are measured. However, due to changes in the accounting system, comparisons of budgeted versus actual expenditure did not occur for a significant portion of the financial year</li> <li>▪ Regular inspections are undertaken. Fieldsmen are expected to travel down the pipeline daily to identify possible leaks or maintenance work.</li> <li>▪ Work Order will be completed, by any officer, for any maintenance work required to any pipeline or service point. Work Orders are captured in the GWC system. Fieldsmen will sign off the Work Order when the job is completed. Administration Officer will amend status in the system and file completed Work Order.</li> <li>▪ Failures are analysed to determine causes and corrective action is taken if deemed necessary.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The procedures document should address the “Effectiveness criteria” as stipulated in Table 16 on page 39 of the Audit Guidelines: Electricity, Gas and Water Licences.</li> <li>▪ Management should develop and document a formal process for the prioritisation of maintenance tasks which is based upon risk assessment.</li> <li>▪ Actual expenditure should be compared against budgeted expenditure on a regular basis.</li> </ul>		
Asset management information system	<ul style="list-style-type: none"> <li>▪ All staff has access to edit property details which will indirectly amend the asset register.</li> <li>▪ Data input into the system is not checked independently for accuracy and completeness.</li> <li>▪ Gascoyne Water does not compile any performance reports specifically nor management reports, in general, to assist with monitoring of licence obligations (as per CEO).</li> <li>▪ Daily back-up tapes are stored in a fire-proof safe. Weekly, a third backup is taken and kept off site.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Access to edit property details should be restricted.</li> <li>▪ Management should ensure that independent checking is done to ensure data entered into the system is accurate and complete.</li> <li>▪ Management should develop a reporting process to monitor GWC’s compliance with their licence obligations.</li> <li>▪ The server should be kept in a locked room to improve physical security therefore.</li> </ul>	B	3

Asset Management System	Systems, Processes and Controls in place at Gascoyne Water for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<ul style="list-style-type: none"> <li>▪ The server is not kept in a locked room.</li> <li>▪ Gascoyne Water (GWC) utilises an AMS system (tailored program) for asset management.</li> <li>▪ AMS System is maintained by Greenbase. GWC does not review the system as it is the responsibility of Greenbase to maintain the system on behalf of GWC. A representative from Greenbase is assigned to GWC to provide assistance when required.</li> <li>▪ Access to the amend Asset Register is restricted to Greenbase. Not all staff has access to the Asset Register. Asset Register is automatically updated when Administration Officer amends a property's detail.</li> <li>▪ The asset register database is on the server. Access to GWC's server is password protected. Each employee has their own unique User ID and password.</li> <li>▪ A comprehensive Business System Manual is available in the admin office for the AMS system.</li> </ul>			
Risk management	<ul style="list-style-type: none"> <li>▪ A Risk management document exists as part of the Asset Management Plan.</li> <li>▪ A Risk Register is maintained as part of the Business Plan. A Business Risk Record exists for each identified risk as part of the Business Plan.</li> <li>▪ Risk Management Policy, Risk Register and Risk Record have not been reviewed since</li> </ul>	<ul style="list-style-type: none"> <li>▪ Management should ensure the policy and relevant documents associated with risk management is reviewed and updated on a regular basis.</li> <li>▪ Management should ensure that risk treatment plans are compiled, actioned and monitored.</li> </ul>	C	3

Asset Management System	Systems, Processes and Controls in place at Gascoyne Water for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<p>2004.</p> <ul style="list-style-type: none"> <li>No formal risk treatment plans exist.</li> <li>Probability and consequences are not regularly assessed. However, regular inspections are undertaken. Fieldsmen are expected to travel down the pipeline daily to identify possible leaks or maintenance work. Any failure of asset will be rectified immediately.</li> </ul>			
Contingency planning	<ul style="list-style-type: none"> <li>Contingency Plan has not been reviewed since 2004.</li> <li>Responsibilities of each key member of personnel in the event of any incident are not documented.</li> <li>The Contingency Plan has not been formally tested to ensure operating effectiveness.</li> <li>All staffs have access to the key contact details in the event of an emergency.</li> <li>An updated staff telephone list is maintained to ensure that all staff is contactable in the event of an emergency.</li> </ul>	<ul style="list-style-type: none"> <li>Management should ensure the contingency plan is reviewed on a regular basis.</li> <li>Management should ensure that the contingency plan clearly documents the responsibility of each key member of personnel in the event of any incident.</li> <li>The contingency plan should be tested, on a regular basis, for operating effectiveness.</li> </ul>	C	3
Financial planning	<ul style="list-style-type: none"> <li>An 8 year cash flow forecast is maintained. This document covers the period 2011/12 to 2018/19. Furthermore, a 100 year cash flow calculation was compiled across the 4 major asset groups in July 2011. However, these documents do not meet the effectiveness criteria specified.</li> <li>Due to changes in the accounting system, comparisons of budgeted versus actual income/expenditure did not occur for a</li> </ul>	<ul style="list-style-type: none"> <li>A comprehensive financial plan should be developed. This Plan should address the “Effectiveness criteria” as stipulated in Table 16 on page 41 of the Audit Guidelines: Electricity, Gas and Water Licences.</li> <li>Actual items of income and expenditure should be compared against budgeted items of income and expenditure respectively, on a regular basis.</li> </ul>	C	3

Asset Management System	Systems, Processes and Controls in place at Gascoyne Water for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	significant portion of the financial year. This matter is still not resolved.			
Capital expenditure planning	<ul style="list-style-type: none"> <li>▪ GWC does not have a generic capital expenditure plan</li> <li>▪ The only capital work that GWC is undertaking is the Upgrade of the Gascoyne Irrigation Pipeline. A Business Case had been developed therefore. Funding approval was finalised in December 2010. The project commenced in May 2011 and is expected to be completed in January 2012.</li> <li>▪ The business case does meet some of the effectiveness criteria specified.</li> <li>▪ The Business case has not been updated since December 2008.</li> </ul>	<ul style="list-style-type: none"> <li>▪ A comprehensive capital expenditure plan should be developed. This Plan should address the “Effectiveness criteria” as stipulated in Table 16 on page 41 of the Audit Guidelines: Electricity, Gas and Water Licences.</li> </ul>	D	3
Review of AMS	<ul style="list-style-type: none"> <li>▪ A review process is not in place for the Asset Management Plan.</li> <li>▪ Independent reviews are performed of the asset management system (as per the licence conditions).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Management should institute a review process for the Asset Management Plan which is repeated at regular intervals.</li> </ul>	C	3

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## Signature of Auditor

To the best of my knowledge, this report is based on true representation of the audit findings and opinions.

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Cameron Palassis  
Director – Audit and Assurance

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Date: 31 August 2011