



# Preston Valley Irrigation Cooperative

Water Services Operating Licence  
(Irrigation Services and Non-Potable  
Water Supply)

## Operational Audit and Asset Management System Review

Final Report

July 2012

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## Executive Summary

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The Preston Valley Irrigation Co-operative ('PVIC') has a Water Services Operating Licence, issued by the Economic Regulation Authority (the Authority) under the Water Services Licensing Act 1995 (WA), for the provision of irrigation services and non-potable water supplies to the Preston Valley region of Donnybrook.

The system at Preston Valley services approximately 77 customers. The system is quite simple – during the irrigation season, water is released into the river from the Glen Mervyn dam and the irrigators pump water from the river.

This Operational Audit/Asset Management System Review has been conducted in order to assess the licensee's level of compliance with the conditions of its licence and the effectiveness of its asset management system.

The audit covered the period from 1<sup>st</sup> February 2007 to 31<sup>st</sup> January 2012 inclusive.

### OPERATIONAL AUDIT

Through the execution of the Audit Plan and assessment and testing of the control environment, the information system, control procedures and compliance attitude, the audit team members have gained reasonable assurance that PVIC has complied with its Water Services Operating Licence performance and quality standards and obligations during the audit period 1<sup>st</sup> February 2007 to 31<sup>st</sup> January 2012 with the exception of two non-compliances as follows:

- Not prominently displaying the Customer Service Charter at PVIC's office and not providing an annual advice of the availability of the charter to all users of the scheme; and
- Not providing the 2009/10 and 2010/11 Performance and Compliance reports to the Authority within the required timeframes. Also, PVIC was unable to locate the reports for 2006/07.

The audit reviewed the action taken on previous audit recommendations in the audit report issued in May 2007 and confirmed that all four recommendations have been completed.

The audit recommended that PVIC:

- Prominently display the Customer Service Charter at PVIC's office;
- Amend the season opening advice notice to include advice of the availability of the Customer Service Charter;
- Ensure all future Performance and Compliance Reports are submitted to the Authority within the required timeframes and copies of reports and correspondence are retained; and
- Update PVIC's task schedule of dates to include the annual Compliance Report submission date.

The audit confirmed PVIC has complied with its information reporting obligations for the period 1<sup>st</sup> July 2007 to 30<sup>th</sup> June 2011 apart from the exceptions noted above.

The audit made recommendations to improve the strength of internal controls over the information reporting obligations. Otherwise, the control environment is considered adequate.

## **ASSET MANAGEMENT SYSTEM REVIEW**

The review of the asset management system has shown that the processes are generally adequate and that PVIC staff are familiar with the requirements of the system and apply these in the day to day operational running of the system.

Overall, the asset management system is well run by competent and experienced staff. There are no recorded complaints against the system and it appears to operate effectively.

The review confirmed that out of the five recommendations in the previous review report dated May 2007, one has been completed, one is no longer required and three are still outstanding.

The outstanding audit recommendations are:

- The Asset Meter Register and Maintenance Record spreadsheet has not been updated to provide information on the installation dates for all meters currently on the register;
- Financial information in the Appendices of the Asset Management Plan (AMP) has not been updated to include actual/budget comparisons and the projected statement of Financial Position; and
- The AMP has not yet been updated to include information on a formal review process.

The following new issues were noted:

- Predictions on income are in PVIC's Financial Plan up to 2011/12. No financial predictions are provided beyond this;
- Minor amendments for the names of operating staff should occur in the AMP; and
- The Asset Meter Register and Maintenance Record spreadsheet was last updated for information on meter inspections and testing in 2007.

The review recommended that PVIC:

- Update the Asset Meter Register and Maintenance Record spreadsheet to provide the installation date for all meters currently on the asset register;
- Review and revise the AMP including the financial information and minor changes in staffing;
- Update the Asset Meter Register and Maintenance Record spreadsheet with the most recent dates when the meters were inspected or tested and keep the spreadsheet up to date.
- Include more financial information in the Appendices to the AMP to provide a better analysis of past performance and to assist future planning, including:
  - Balance Sheet and Operating Statement projections; and
  - Actual/budget income and expenses for the past three years.
- Develop a new financial plan for the next five years from 2012/13; and
- Document the review process in the AMP, including information such as who is involved, what is reviewed and how frequently it is reviewed.

## **POST AUDIT IMPLEMENTATION PLAN**

The Post-Audit Implementation Plan in Appendix A provides a summary of the issues and recommendations from the Operational Audit and asset management system review with management responses from PVIC.

The Post Audit Implementation Plan has been developed by the audit team in consultation with the licensee and has been approved by the licensee. PVIC has agreed to implement the recommended actions.

## Audit Opinion

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### Report on the Operational Audit of the Water Services Operating Licence

We have audited the compliance of PVIC with the procedures and controls over the performance and quality standards and licence obligations of the Water Services Operating Licence for the period 1<sup>st</sup> February 2007 to 31<sup>st</sup> January 2012 as measured by the Economic Regulation Authority's ('the Authority's') Water Compliance Reporting Manual, May 2011.

#### Respective Responsibilities

PVIC is responsible for compliance with the procedures and controls over the performance and quality standards and obligations of the Water Services Operating Licence. Our responsibility is to provide reasonable assurance and express a conclusion on compliance with the performance and quality standards and obligations of the Water Services Operating Licence, in all material respects.

Our audit has been conducted in accordance with applicable Standards on Assurance Engagements (ASAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and 3100 "Compliance Engagements".

Our audit procedures have been included in Section 1 of this report and have been undertaken to form a conclusion as to whether PVIC has complied in all material respects, with the procedures and controls over the performance and quality standards and licence obligations of the Water Services Operating Licence for the period 1<sup>st</sup> February 2007 to 31<sup>st</sup> January 2012 as measured by the Authority's Water Compliance Reporting Manual, May 2011.

#### Limitations

This report was prepared for distribution to PVIC and the Authority for the purpose of fulfilling PVIC's reporting obligations under the Water Services Operating Licence. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than PVIC and the Authority, or for any purpose other than that for which it was prepared.

Because of the inherent limitations of any internal control environment, it is possible that fraud, error or non-compliance may occur and not be detected. An audit is not designed to detect all instances of non-compliance with the procedures and controls over the performance and quality standards and licence obligations of the Water Services Operating Licence, since we do not examine all evidence and every transaction. The audit and review conclusions expressed in this report have been formed on this basis.

#### Auditor's Qualified Opinion

In our opinion, PVIC has complied, in all material respects, with the performance and quality standards and obligations of the Water Services Operating Licence for the period from 1<sup>st</sup> February 2007 to 31<sup>st</sup> January 2012 with the exception of:

- Not prominently displaying the Customer Service Charter at PVIC's office and not providing an annual advice of the availability of the charter to all users of the scheme; and
- Not providing the 2009/10 and 2010/11 Performance and Compliance reports to the Authority within the required timeframes. Also, PVIC was unable to locate the reports for 2006/07.



We confirm that the Authority's Audit Guidelines: Electricity, Gas and Water Licences (August 2010) have been complied with in the conduct of this audit and the preparation of the report, and that the audit findings reflect our professional opinion.

**QUANTUM MANAGEMENT CONSULTING & ASSURANCE**

GEOFF WHITE      PERTH, WA  
DIRECTOR          14 AUGUST 2012

Preston Valley Irrigation  
Cooperative  
Water Services Operating Licence  
(Irrigation Services and Non-Potable  
Water Supply)  
Operational Audit and  
Asset Management  
System Review  
- Introduction

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## 1. Background

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The Preston Valley Irrigation Corporation ('PVIC') has a Water Services Operating Licence, issued by the Economic Regulation Authority (the Authority) under the Water Services Licensing Act 1995 (WA), for the provision of irrigation services and non-potable water supplies to the Preston Valley region of Donnybrook.

Not less than once in every period of 36 months (extended to 5 years by the Authority), PVIC requires an operational audit of compliance with the licence conditions and a review of the asset management system to comply with the licensing requirements of the Authority.

PVIC is required to comply with the terms and conditions of their licence, including applicable legislative provisions and performance reporting as set out in their licence and the Water Compliance Reporting Manual (May 2011).

This Operational Audit/Asset Management System Review has been conducted in order to assess the licensee's level of compliance with the conditions of its licence and the effectiveness of its asset management system.

Our audit approach was based on the compliance obligations set out in the licence (Operating Licence 26, Version OL2, dated 15 May 2009), applicable legislation and the Audit Guidelines issued by the Authority in August 2010.

## 2. Methodology

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### 2.1 Objectives and Scope

#### 2.1.1 Operational Audit

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

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

The scope of the audit covered the following:

- **process compliance** - the effectiveness of systems and procedures in place throughout the audit period, including the adequacy of internal controls;
- **outcome compliance** – the actual performance against standards prescribed in the licence throughout the audit period;
- **output compliance** – the existence of the output from systems and procedures throughout the audit period (that is, proper records exist to provide assurance that procedures are being consistently followed and controls are being maintained);
- **integrity of reporting** – the completeness and accuracy of the compliance and performance reports provided to 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.

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

#### 2.1.2 Asset Management System Review

The objective of the review was to assess the adequacy and effectiveness of the asset management system in place for the undertaking, maintenance and monitoring of the licensee's assets.

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

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

The review assessed the status of the previous review recommendations and also identified areas where improvement is required.

## 2.2 Audit Period and Timing

The audit covered the period 1<sup>st</sup> February 2007 to 31<sup>st</sup> January 2012 inclusive and was conducted in April/May 2012.

The previous audit covered the period 1<sup>st</sup> November 2003 to 31<sup>st</sup> January 2007 inclusive.

## 2.3 Licensee's Representatives Participating in the Audit

- Nicole Thompson – Office Administrator
- Terry Kirkpatrick – Works Officer.

## 2.4 Key Documents Examined

- PVIC Water Services Operating Licence 26 (Version OL2) dated 15 May 2009
- Preston Valley Operating Area (Irrigation services) Plan No. OWR-OA-193
- PVIC Irrigation Scheme Map
- Audit Report - PVIC Water Licence Operational Audit and Asset Management Review dated 2 May 2007
- Post Audit Implementation Plan - PVIC Water Licence Operational Audit and Asset Management Review dated 2 May 2007
- Post Audit Implementation Plan update dated 30 March 2010
- PVIC Customer Service Charter for Preston Valley Irrigation Scheme 2010
- PVIC 2011 Annual Report
- PVIC Complaints Register
- PVIC Asset Management Plan for Preston Valley Irrigation Scheme revised 31<sup>st</sup> December 2006;
- Performance Reports to the Authority for the years ended 30 June 2008, 2009, 2010 and 2011
- Compliance Reports to the Authority for the years ended 30 June 2008, 2009, 2010 and 2011
- Correspondence between PVIC and the Authority
- PVIC 5 Year Financial Plan 2007-2012
- PVIC Asset Register of plant, equipment, office, meters, gates spreadsheet
- PVIC Asset Meter Register and Maintenance Record 30-06-08 spreadsheet
- PVIC Emergency Response Procedure – Water Contamination Policy (reviewed March 2010)
- PVIC Task Schedule
- PVIC Water Supply Operational Guidelines
- Water Corporation and PVIC Bulkwater Agreement Delivery Operating Rules
- Duties of the Waterman
- Waterman JDF
- Agenda for the AGM on 7<sup>th</sup> December 2011 and Minutes of the AGM held on 7<sup>th</sup> December 2011
- Waterman's Report 2010-2011 season.

## 2.5 Operational Audit - Compliance Ratings

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

COMPLIANCE STATUS	RATING	DESCRIPTION OF COMPLIANCE
COMPLIANT	5	Compliant with no further action required to maintain compliance
COMPLIANT	4	Compliant apart from minor or immaterial recommendations to improve the strength of internal controls to maintain compliance
COMPLIANT	3	Compliant with major or material recommendations to improve the strength of internal controls to maintain compliance
NON-COMPLIANT	2	Does not meet minimum requirements
SIGNIFICANTLY NON-COMPLIANT	1	Significant weaknesses and/or serious action required
NOT APPLICABLE	N/A	Determined that the compliance obligation does not apply to the licensee's business operations
NOT RATED	N/R	No relevant activity took place during the audit period, therefore it is not possible to assess compliance

## 2.6 Asset Management System Review - Effectiveness Ratings

The adequacy of processes and policies, and the performance of the key processes were assessed using the scales described in the tables below. The overall effectiveness rating for each asset management process is based on a combination of the process and policy adequacy rating and the performance rating.

### Asset management process and policy definition - Adequacy ratings

RATING	DESCRIPTION	CRITERIA
A	Adequately defined	<ul style="list-style-type: none"> <li>Processes and policies 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 system(s) require 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) require 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 for purpose (taking into consideration the assets that are being managed).</li> </ul>

### Asset management process - 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>

### 2.7 Audit Team and Hours

NAME AND POSITION	HOURS
Geoff White – Director	5
Andrea Stefkova – Assistant Manager	22
Steve Park – Senior Engineer (David Wills and Associates)	8
TOTAL	35

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### 3. Operational Audit

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

#### 3.1 Summary of Compliance Ratings

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

No. <sup>1</sup>	Operating Licence Compliance Element	Operating Licence reference (Cl.=clause, Sch.=schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (Low, Medium, High)	Adequacy of existing controls (S=strong, M=moderate, W=weak)	Compliance Rating (1=significantly non-compliant, 2=non-compliant, 3=compliant, 4=compliant, 5=compliant, N/A = not applicable, N/R = not rated)							
							1	2	3	4	5	N/A	N/R	
<b>WATER SERVICES LICENSING ACT 1995</b>														
1	General duty to provide services	n/a	1	C	Low	Strong						✓		
2	Regulations prescribing standard of service	Cl. 19	3	B	High	Moderate						✓		
3	Asset Management System	Cl. 17.1	2	C	Medium	Strong						✓		
4	Notify changes to Asset Management System	Cl. 17.2	1	C	Low	Moderate								✓
5	Review of Asset Management System	Cl. 17.3	1	C	Low	Strong				✓				
6	Operational Audit	Cl. 16.1	1	C	Low	Strong				✓				
7	Comply with Performance Standards (emergency response, complaints, continuity and overflows)	Cl. 20.1	3	B	High	Moderate				✓				
<b>WATER COORDINATION REGULATIONS 1996</b>														
8	Payment of fees	Cl. 4.1	1	C	Low	Strong								✓
<b>OTHER LICENCE CONDITIONS</b>														
9	Customer complaints process	Cl. 6.1	2	B	Medium	Strong					✓			
10	Customer complaints resolution	Sch.3, Cl. 3.1	2	B	Medium	Moderate								✓
11	<i>Not applicable – only applies to local government</i>	Sch.3, Cl. 3.8	N/A	N/A	N/A	N/A							✓	
12	Staff trained to respond to complaints	Sch.3 Cl.3.2(b)	1	C	Low	Moderate					✓			
13	<i>Not applicable – only applies to local government</i>	Sch.3 Cl.3.9(b)	N/A	N/A	N/A	N/A							✓	
14	Complaints system	Sch.3 Cl.3.2(d)	2	B	Medium	Strong					✓			
15	Option to refer complaint to Dept. of Water	Sch.3 Cl.3.4	2	B	Medium	Strong								✓
16	<i>Not applicable – only applies to local government</i>	Sch.3 Cl.3.10	N/A	N/A	N/A	N/A							✓	

<sup>1</sup> The number refers to the item reference in the Water Compliance Manual, ERA August 2011

No. <sup>1</sup>	Operating Licence Compliance Element	Operating Licence reference (Cl.=clause, Sch.=schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (Low, Medium, High)	Adequacy of existing controls (S=strong, M=moderate, W=weak)	Compliance Rating (1=significantly non-compliant, 2=non-compliant, 3=compliant, 4=compliant, 5=compliant, N/A=not applicable, N/R=not rated)									
							1	2	3	4	5	N/A	N/R			
17	Must co-operate with Dept. of Water	Sch.3 Cl.3.6	2	C	Medium	Strong										✓
18	Provide details to Dept. of Water	Sch.3 Cl.3.7	2	C	Medium	Strong										✓
19	Customer Service Charter	Cl.7.1	2	C	Medium	Strong							✓			
20	Availability of Customer Service Charter	Sch.3 Cl. 2.5	2	C	Medium	Weak		✓								
21	Charter reviewed every 3 years	Sch.3 Cl. 2.6	1	C	Low	Strong							✓			
22	Services consistent with Charter	Sch.3 Cl. 2.7	2	B	Medium	Strong							✓			
23	Customer consultation process	Cl. 8	2	C	Medium	Strong							✓			
24	Customer Council or at least two other forums	Sch.3 Cl. 4.1	2	C	Medium	Strong							✓			
25	Consult the Authority on type and extent of customer consultation	Sch.3 Cl. 4.2	2	C	Medium	Strong							✓			
26	If requested, establish other forums	Sch.3 Cl. 4.3	2	C	Medium	Strong										✓
27	Licence Specific – season opening and closing public meetings	Sch.3 Cl. 4.4	2	C	Medium	Strong							✓			
28	Major change to scheme	Sch.3 Cl. 4.5	2	C	Medium	Strong										✓
29	<i>Not applicable</i>	Sch. 3 Cl. 4.6	N/A	N/A	N/A	N/A									✓	
30	Modified customer agreements	Sch. 3 Cl. 5.1	2	B	Medium	Strong										✓
31	Annual report of non-standard agreements	Sch. 3 Cl. 5.4	2	B	Medium	Strong										✓
32	Customer survey, if directed by Authority	Sch. 3 Cl. 6	2	C	Medium	Strong										✓
33 to 40	<i>Not applicable</i>	Cl. 9	N/A	N/A	N/A	N/A									✓	
41	Compliance with accounting standards	Cl. 15.1	2	C	Medium	Strong							✓			
42	Compliance with Operational Audit Guidelines	Cl. 16.2	2	C	Medium	Strong							✓			
43	Initial notification of asset management system (AMS) on licence commencement	Cl. 17.1	1	C	Low	Strong							✓			
44	Notify Authority of changes to AMS within 10 business days	Cl. 17.2	1	C	Low	Moderate										✓
45	Compliance with Asset Management Review guidelines	Cl. 17.4	2	B	Medium	Strong							✓			
46	Reporting	Cl. 18.1	2	B	Medium	Moderate										✓
47	Provide any information requested by Authority	Cl. 21.1	2	B	Medium	Strong							✓			
48	Information reporting requirements	Cl. 21.2	2	B	Medium	Weak		✓								
49	Publish information directed by Authority	Cl. 22.2 - .4	1	C	Low	Strong										✓
-	Written conditions for connections	Sch.6 Cl. 2.1	2	B	Medium	Strong							✓			
-	Services available for connection	Sch.6 Cl. 2.2	2	B	Medium	Strong							✓			
-	Agreement to discontinue services	Sch.6 Cl. 2.3	2	B	Medium	Strong										✓



### 3.2 Previous Audit Recommendations

The status of the key recommendations in the previous audit report issued in May 2007 is summarised below.

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
1.1	<b>Customer Charter – Customer Complaints</b>	PVIC has a customer complaints system in place as required under their operating licence, and its availability is outlined to customers in the Customer Charter. However, the complaints resolution process is not fully documented in the Customer Charter, and does not include information on the full process including the Disputes Committee and how they are selected.		Although the number of complaints is very small for the scheme, PVIC should fully document its complaint procedures to provide a greater transparency in its operations and to inform its stakeholders.	<i>PVIC Secretary will update the customer complaint process and advise customers. The update will also be included in the newsletter for July 2007.</i>  <i>The updated complaints process is to be included in the Customer Charter July 2007.</i>  <i>PVIC Secretary July 2007</i>	PVIC's Customer Service Charter for the Preston Valley Irrigation Scheme 2010 adequately outlines the process in regards to customer complaints.	COMPLETED
1.2	<b>Customer Charter – Office of Water Policy Referrals</b>	Although the Customer Charter directs complainants to the OWP, it is silent on the OWP's option to mediate or arbitrate. Other irrigators have included this in their customer charters.		The information on WP's option to mediate or arbitrate should be included in the Customer Charter, as done by other irrigators.	<i>PVIC Secretary will update the customer complaint process and advise customers of OWR mediatory or arbitrary role. The update will</i>	PVIC's Customer Service Charter for the Preston Valley Irrigation Scheme 2010 adequately outlines the process in regards to customer complaints.	COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
					<p><i>also be included in the newsletter for July 2007.</i></p> <p><i>The updated complaints process is to be included in the Customer Charter July 2007.</i></p> <p><i>PVIC Secretary July 2007</i></p>		
1.3	<b>Customer Charter – Opening and Closing of the Season</b>	The Customer Charter is written in clear and straightforward English and appears to address most of the likely issues. One area of improvement could be to provide more information on the opening and closing of the season and how this is determined.		PVIC should update their Customer Charter during the next review to include information on how the opening and closing of the season is determined.	<p><i>PVIC Secretary will update the customer complaint process and advise customers of the methodology used to determine the opening and closing of irrigation seasons. The update will also be included in the newsletter for July 2007.</i></p> <p><i>The opening and closing of irrigation season process is to be included in the Customer Charter July 2007.</i></p>	PVIC's Customer Service Charter for the Preston Valley Irrigation Scheme 2010 provides adequate information on the opening and closing of the season and how this is determined.	COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
					<i>PVIC Secretary July 2007</i>		
1.4	<b>AGM Agenda</b>	PVIC holds an Annual General Meeting ('AGM') every year and also calls additional meetings when required. The previous AGM Agenda included Fees and Charges, but did not specifically include the season opening and closing conditions or the Scheme operation as required in clause 17(b) of their operating licence.		PVIC should ensure that the AGM Agenda includes the items of 'Season Opening and Closing Conditions' and 'Scheme Operation'.	<i>Waterman to present report at next and future AGM. PVIC Waterman Next PVIC AGM</i>	Audit sighted the AGM Agenda of a meeting held on 7 <sup>th</sup> December 2011 and confirmed that the Agenda included Fees and Charges and the Waterman's Report: season opening and closing conditions, tariffs and the scheme operation.	COMPLETED

### 3.3 Audit Results and Recommendations

No <sup>2</sup>	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
<b>DETAILED COMPLIANCE OBLIGATIONS</b>							
<b>LICENCE COMPLIANCE REQUIREMENTS – WATER SERVICES LICENSING ACT 1995</b>							
1	Water Services Licensing Act Section 32(1)(a)	n/a	The licensee must provide the water service.	1	5	The audit confirmed that PVIC provides the water service.	5
2	Water Services Licensing Act Section 33	Clause 19	The Licensee must achieve prescribed standards as defined in the regulations.	2	2	As per item 7 – No non-compliances were noted.	5
3	Water Services Licensing Act Section 36(1)(a)	Clause 17.1	The Licensee must have an Asset Management System in respect to the licensed activity.	2	4	The audit confirmed that the Asset Management System in respect to the licensed activity is in place.	5
4	Water Services Licensing Act	Clause 17.2	The Licensee must notify the Authority of any changes to the Asset Management	2	5	The audit confirmed with PVIC's Secretary that during the audit period, PVIC has made no significant changes to the asset management system.	N/R

<sup>2</sup> Number refers to the item reference in the Water Compliance Reporting Manual, ERA August 2011

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
	Section 36(1)(b)		System.			The Authority has been kept informed about the progress of implementation of the previous audit recommendations via the PAIP updates.	
5	Water Services Licensing Act Section 36(1)(c)	Clause 17.3	The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an independent expert report, acceptable to the Authority, on the effectiveness of the Asset management System.	2	5	The Asset Management System Review is now being undertaken.  The audit reviewed PVIC's task schedule of dates and noted that the Asset Management System Review dates are included in the schedule of events.	5
6	Water Services Licensing Act Section 37(1)	Clause 16.1	The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an operational audit conducted by an independent expert, acceptable to the Authority.	2	5	The Operational Audit is now being undertaken.  The audit reviewed PVIC's task schedule of dates and noted that the Operational Audit dates are included in the schedule of events.	5
7	Water Services Licensing Act Section 38(2)	Clause 20.1	The licensee must comply with the performance standards set out in Schedule 4. <ul style="list-style-type: none"> <li>100% of customers provided with non-potable receive annual advice that the water supplied is not</li> </ul>	2	2	The audit reviewed PVIC's Performance Reports for the years ended 30 June 2008, 2009, 2010 and 2011 and noted that PVIC complied with all performance standards. PVIC could not locate the Performance Report for the year ended 30 June 2007.  Nevertheless, the audit through the discussion with PVIC's Secretary and review of supporting documentation confirmed	5

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			<p>suitable for drinking (by annual notification).</p> <ul style="list-style-type: none"> <li>To supply water that is less than 1200 mg/L TDS (quarterly testing of bulk sources).</li> <li>90% of customer complaints resolved within 15 business days.</li> <li>In the preceding 12 month period 90% of all customers received the service standard (planned service interruptions with 5 business day's notice).</li> </ul>			<p>the following:</p> <ul style="list-style-type: none"> <li>All tax invoices issued to PVIC's customers include the note stating the following "The supply of water by the cooperative is for irrigation purposes only and is not for human consumption or application". The season opening advice notice that is mailed each season to all entitled users also contains the advice that the water supplied is not suitable for drinking. The audit sighted a sample of tax invoices and season opening advice notes;</li> <li>During the audit period, PVIC supplied water that was less than 1200 mg/L of dissolved solids. The Waterman reads river salinity levels at designated points along the river every two weeks and keeps appropriate records. The audit sighted the Waterman's salt reading records;</li> <li>There were no recorded customer complaints. The audit sighted PVIC's Complaints Register; and</li> <li>In the preceding 12 month period, there were no planned business interruptions.</li> </ul>	
<b>LICENCE COMPLIANCE REQUIREMENTS – WATER COORDINATION REGULATION 1996</b>							
8	Water Services Coordination Regulations Section 2	Clause 4.1	The licensee must pay the applicable fees in accordance with the regulations.	N/R	5	The licence expires on 29 June 2023. The application for renewal of the licence is to be accompanied by the prescribed fee.	N/R

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
<b>LICENCE COMPLIANCE REQUIREMENTS – LICENCE CONDITIONS</b>							
9	N/A	Clause 6.1	The licensee must establish a customer complaints process as set out in Schedule 3.	NR	3	PVIC's Customer Service Charter for the Preston Valley Irrigation Scheme 2010 outlines the process in regards to customer complaints.	5
10	N/A	Schedule 3 Clause 3.1	The licensee must resolve customer complaints within 15 business days of the receipt of complaint.	NR	4	The audit confirmed with PVIC's Secretary that there were no irrigation related customer complaints received by PVIC over the audit period.  Sighted the Complaints Register.	N/R
11	N/A	Schedule 3 Clause 3.8	The licensee must resolve customer complaints within 15 business days of the receipt of complaint or for matters to be considered by a Local Government Council within 5 business days after the first ordinary Council meeting following the 15 business day period.	NR	N/A	PVIC is not a Local Government Agency so this is not applicable.	N/A
12	N/A	Schedule 3 Clause 3.2(b)	The licensee must provide appropriately trained staff to respond to complaints.	NR	5	The Waterman is authorised to deal with customer complaints. The Waterman has a strong background working on irrigation pipes and pumps as a farmer for over 45 years. The Waterman reports to the Company Board of Directors and liaises closely with the CEO and PVIC's Secretary.	5

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
						During the audit period, there were no customer complaints.	
13	N/A	Schedule 3 Clause 3.9(b)	The licensee must provide one trained staff member who is authorised or has access to another officer who is authorised to make necessary decisions to respond to complaints.	NR	N/A	PVIC is not a Local Government Agency so this is not applicable.	N/A
14	N/A	Schedule 3 Clause 3.2(d)	The licensee must provide an appropriate system to monitor and record the number, nature of and outcomes to complaints.	NR	3	PVIC's Complaints Register is in place.	5
15	N/A	Schedule 3 Clause 3.4	The licensee must inform the customer of the option to refer a disputed complaint to the Department of Water.	NR	4	The audit confirmed with PVIC's Secretary that there were no irrigation related customer complaints received by PVIC over the audit period.  PVIC's Customer Service Charter for Preston Valley Irrigation Scheme 2010 outlines the process in regards to customer complaints.	N/R
16	N/A	Schedule 3 Clause 3.10	The licensee must inform the customer of the option to refer a disputed complaint to the Department of Water unless the complaint is a matter that relates to section 3.22 of the	NR	N/A	PVIC is not a Local Government Agency so this is not applicable.	N/A



No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			<i>Local Government Act 1995.</i>				
17	N/A	Schedule 3 Clause 3.6	The licensee must co-operate with the Department of Water's request for information concerning a disputed complaint.	NR	4	The audit confirmed with PVIC's Secretary that there were no irrigation related customer complaints received by PVIC over the audit period.  The audit confirmed with PVIC's Secretary that during the audit period, there were no such requests received from the Department of Water.	N/R
18	N/A	Schedule 3 Clause 3.7	The licensee must, on request, provide complaints details to the Department of Water.	NR	4	The audit confirmed with PVIC's Secretary that during the audit period, there were no such requests received from the Department of Water.	N/R
19	N/A	Clause 7.1	The licensee must establish a Customer Service Charter as set out in Schedule 3.	2	4	The revised PVIC's Customer Service Charter for Preston Valley Irrigation Scheme was approved by the Authority on 14 February 2011.	5
20	N/A	Schedule 3 Clause 2.5	The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence.	2	4	The audit confirmed with PVIC's Secretary that a copy of the charter is available for viewing at PVIC's office, although the charter is not prominently displayed at PVIC's office. The audit confirmed with PVIC's Secretary that the charter is provided upon request and at no charge to customers.  PVIC's Secretary advised that those customers that attend the AGM are advised of the availability of the charter during the AGM, however no annual advice of the charter availability is being provided to all entitled users.  <b>Recommendations:</b> <b>a) Prominently display the Customer Service Charter at</b>	2

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
						<p>PVIC's office.</p> <p>b) Amend the annual season opening advice notice to include advice of the availability of the Customer Service Charter.</p> <p><i>(Post Audit Implementation Plan item 1.1)</i></p>	
21	N/A	Schedule 3 Clause 2.6	The licensee must review its Customer Service Charter at least once in every three year period.	2	5	<p>The previous charter was approved by the Authority in December 2007. The charter was due for review by 31 December 2011. PVIC submitted the first draft of its charter to the Authority for approval on 1 December 2011 and the final version of its charter on 2 February 2011. The revised charter was approved by the Authority on 14 February 2011.</p> <p>PVIC will need to undertake the next review and submit the reviewed charter to the Authority for approval by February 2014.</p> <p>The audit reviewed PVIC's task schedule of dates and noted that the requirement to review the Customer Service Charter every three years is noted in the schedule.</p>	5
22	N/A	Schedule 3 Clause 2.7	The licensee must provide its services consistent with its Customer Service Charter.	2	4	<p>The audit confirmed that PVIC provides its services consistent with its Customer Service Charter.</p> <p>The charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to PVIC's customers.</p>	5
23	N/A	Clause 8	The licensee must establish customer consultation processes as set out in	NR	4	The audit confirmed with PVIC's Secretary that an adequate customer consultation process has been established.	5

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			Schedule 3.				
24	N/A	Schedule 3 Clause 4.1	The licensee may either establish a Customer Council or institute at least 2 of the following: establish a regular meeting; publish a newsletter or run other public forums, concerning the licensed activities.	NR	4	PVIC holds annual meetings in accordance with the Articles of the Cooperative and also holds general meetings with irrigator representatives if requested to do so or in the case of issues arising that may need irrigator input or discussion.  PVIC advise other information to irrigators by way of newspaper articles or advertisements and as necessary newsletters are mailed to all irrigators. Each season, opening and closing advice notices are mailed to all entitled users of the scheme and advertised in local newspapers.	5
25	N/A	Schedule 3 Clause 4.2	The licensee must consult the Authority on the type and extent of consultation to be adopted by the licensee.	NR	4	PVIC's Customer Service Charter for Preston Valley Irrigation Scheme 2010 outlines the customer consultation process and customer contact. The charter was approved by the Authority on 14 February 2011.	5
26	N/A	Schedule 3 Clause 4.3	The licensee must, if at the request of the Authority, establish other forums for consultations, to enable community involvement in issues relevant to licence obligations.	NR	4	The audit confirmed with PVIC's Secretary that during the audit period, there were no such requests received from the Authority.	N/R
27	N/A	Schedule 3 Clause 4.4	The licensee must hold season opening and closing public meetings, and the agenda must cover at least season opening and closing	NR	4	PVIC holds an Annual General Meeting (AGM) every year and also calls additional meetings when required.  Audit sighted the AGM Agenda of a meeting held on 7 <sup>th</sup> December 2011 and confirmed that the Agenda included Fees and Charges and Waterman's Report: season opening	5

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			conditions, tariffs and scheme operation.			and closing conditions, tariffs and the scheme operation.	
28	N/A	Schedule 3 Clause 4.5	The licensee must prior to making a major change to the operation of a water service hold a public meeting and seek written submissions.	NR	4	PVIC's Secretary confirmed that a public meeting would be held and written submissions would be sought prior to any major change.	N/R
29	N/A	Schedule 3 Clause 4.6	The licensee must allow customers to raise matters of concern regarding Council public question time in accordance with the <i>Local Government Act 1995</i> .	NR	N/A	Not applicable.	N/A
30	N/A	Schedule 3 Clause 5.1	The licensee may enter into an agreement with a customer to provide water services that may exclude, modify or restrict the terms of the licence.	NR	4	The audit confirmed with PVIC's Secretary that no such agreements have been entered into over the audit period.	N/R
31	N/A	Schedule 3 Clause 5.4	The licensee must publish a report annually that includes the specified information.	NR	4	The audit confirmed with PVIC's Secretary that no agreements that may exclude, modify or restrict the terms of the licence have been entered into over the audit period.	N/R
32	N/A	Schedule 3 Clause 6	The licensee must conduct a customer survey if directed by the Authority.	NR	4	The audit confirmed with PVIC's Secretary that during the audit period, there were no such directions received from the Authority.	N/R
33 to	N/A	Clause 9	Memorandum of	2	N/A	Clause 9 is not applicable.	N/A

No <sup>2</sup>	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
40			Understanding				
41	N/A	Clause 15.1	The licensee must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.	NR	4	Each year PVIC prepares a comprehensive Annual Report, which is independently audited by a certified auditor.  The audit sighted PVIC's Annual Report for the year ended 30 <sup>th</sup> June 2011, including an Independent Audit Report.	5
42	Water Services Licensing Act Section 37	Clause 16.2	The licensee must comply and require the licensee's auditor to comply with the Authority's Standard Audit Guidelines, minimum requirements regarding appointment of the auditor, scope of audit, conduct of the audit and reporting of the audit.	NR	4	PVIC's Audit Plan –Water Services Operating Licence – Operational Audit and Asset Management System Review, dated March 2012, stipulates compliance requirements on auditors.	5
43	Water Services Licensing Act Section 36	Clause 17.1	The licensee must provide for and notify the Authority of its asset management system within 2 business days from the licence commencement date unless notified in writing by the Authority.	2	5	The licence commencement date was 19 May 2003. The Authority was notified of PVIC's asset management system back then.	5
44	Water Services Licensing Act	Clause 17.2	The licensee must notify the Authority of any changes to its asset management system	2	5	The audit confirmed with PVIC's Secretary that during the audit period, there were no significant changes to the asset management system made.	N/R

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
	Section 36		within 10 business days from the date of change.				
45	Water Services Licensing Act Section 36	Clause 17.4	The licensee must comply and require the licensee's expert to comply with the Authority's Standard Guidelines dealing with the asset management system review including, minimum requirements, regarding appointment of the expert reviewer, scope of review, conduct of the review and reporting of the outcomes of the review.	NR	5	PVIC's Audit Plan –Water Services Operating Licence – Operational Audit and Asset Management System Review, dated March 2012, stipulates compliance requirements on auditors.	5
46	N/A	Clause 18.1	The licensee must report to the Authority if it is under external administration within 2 business days or significant change in its financial or technical circumstances within 10 business days.	2	4	The audit confirmed with PVIC's Secretary that during the audit period, PVIC wasn't under external administration and there was no significant change in its financial or technical circumstances.	N/R
47	N/A	Clause 21.1	The licensee must provide any information the Authority may require in connection with its functions under the Act.	2	4	In addition to the reporting requirements under the Water Compliance Reporting Manual, PVIC provided an update of the Post-Audit Implementation Plan in respect of the 2007 performance audit and asset management system review. PVIC has provided an update to the Authority in April 2010.  The Authority acknowledged the receipt of the Post-Audit	5

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
						Implementation Plan in the letter to PVIC dated 12 April 2010 (Ref: D28205) and noted that all outstanding items have been completed. Therefore no further updates were required.	
48	N/A	Clause 21.2	The licensee must comply with the information reporting requirements as set out in Schedule 5.	2	4	<p>In accordance with the Water Compliance Reporting Manual May 2011, PVIC is required to submit to the Authority:</p> <ul style="list-style-type: none"> <li>• Annual performance reports no later than 31 July for the reporting year ending 30 June; and</li> <li>• Annual compliance reports by 31 August for the year ending 30 June.</li> </ul> <p>The audit reviewed PVIC's Compliance and Performance Reports for the years ending 30 June 2008, 2009, 2010 and 2011 and noted the following exceptions:</p> <ul style="list-style-type: none"> <li>• Performance and Compliance Reports for the year ended 30 June 2010 and 2011 were submitted after the due date; and</li> <li>• PVIC was not able to locate the Performance and Compliance Reports for the year ended 30 June 2007;</li> </ul> <p>The audit reviewed PVIC's task schedule of dates and noted that it includes the annual Performance Report submission date. However, the annual Compliance Report submission date was not included in the schedule.</p> <p><b>Recommendations:</b></p> <p>a) PVIC should ensure that all future Performance and Compliance Reports are submitted to the Authority within</p>	2

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
						<p>the timeframes required and copies of reports and correspondence between PVIC and the Authority retained.</p> <p>b) Update PVIC's task schedule of dates to include the annual Compliance Report submission date.</p> <p><i>(Post Audit Implementation Plan item 1.2)</i></p>	
49	N/A	Clause 22.2 and 22.4	The licensee must publish relevant information directed to do so by the Authority within the specified timeframes.	NR	5	The audit confirmed with PVIC's Secretary that during the audit period, no such directions were received from the Authority.	N/R
-	N/A	Schedule 6 Clause 2.1	The licensee must set out in writing its conditions for connection and make it available to people enquiring or applying for connection.	NR	4	<p>The audit confirmed that PVIC provide its services consistent with its Customer Service Charter.</p> <p>The charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to PVIC's customers.</p>	5
-	N/A	Schedule 6 Clause 2.2	The licensee must ensure that its services are available for connection on any land in the Operating Area subject to compliance with PVIC's conditions.	NR	4	<p>The audit confirmed with PVIC's Secretary that the services are available for connection on any land in the Operating Area subject to compliance with PVIC's conditions.</p> <p>The audit confirmed that PVIC provide its services consistent with its Customer Service Charter.</p> <p>The charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to PVIC's customers.</p>	5
-	N/A	Schedule 6	The licensee may with the	NR	4	The audit confirmed with PVIC's Secretary that over the audit	N/R



No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
		Clause 2.3	written agreement of the property owner discontinue a service where it is not commercially viable.			period there was no discontinuation of the service due to the service not being commercially viable.	

### 3.4 Recommended Changes to the Licence

No changes to the licence are considered necessary.

### 3.5 Conclusion

Through the execution of the Audit Plan and assessment and testing of the control environment, the information system, control procedures and compliance attitude, the audit team members have gained reasonable assurance that PVIC has complied with its Water Services Operating Licence performance and quality standards and obligations during the audit period 1<sup>st</sup> February 2007 to 31<sup>st</sup> January 2012 with the exception of two non-compliances as follows:

- Not prominently displaying the Customer Service Charter at PVIC's office and not providing the annual advice of the availability of the charter to all entitled users of the scheme; and
- Not providing the 2009/10 and 2010/11 performance and compliance reports to the Authority within the required timeframes. Also, PVIC was unable to locate the reports for 2006/07.

The audit reviewed the action taken on previous audit recommendations in the audit report issued in May 2007 and confirmed that all four recommendations have been completed.

The audit recommended that PVIC:

- Prominently display the Customer Service Charter at PVIC's office;
- Amend the season opening advice notice to include advice of the availability of the Customer Service Charter;
- Ensure all future Performance and Compliance Reports are submitted to the Authority within the required timeframes and copies of reports and correspondence are retained; and
- Update PVIC's task schedule of dates to include the annual Compliance Report submission date.

The audit confirmed PVIC has complied with its information reporting obligations for the period 1<sup>st</sup> July 2007 to 30<sup>th</sup> June 2011 apart from the exceptions noted above.

The audit made recommendations to improve the strength of internal controls over the information reporting obligations. Otherwise, the control environment is considered adequate.

*The Post Audit Implementation Plan in Appendix A provides a summary of the issues and recommendations from the audit with responses from PVIC.*

# Preston Valley Irrigation Cooperation

Water Services Operating Licence  
(Irrigation Services and Non-Potable  
Water Supply)

## Asset Management System Review – Detailed Report

Final Report

July 2012

## 4. Asset Management System Review

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The effectiveness of PVIC's asset management system was assessed using the asset management system process and policy definitions ratings and the performance ratings provided by the Authority in the Audit Guidelines.

This included evaluating the key processes of:

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

The review has assessed and rated these key processes as shown in Section 4.1.

Section 4.2 provides details of the current status of recommendations from the previous review.

Section 4.3 provides further details of the systems and the effectiveness rating for each process in the asset management system.

#### 4.1 Summary of Asset Management System Ratings

The audit assessment of the asset management system process and policy definitions and their effectiveness, based on the ratings scale in Section 2.6, is shown in the table below.

Section 4.3 provides further details of the rating for each process in the asset management system.

ASSET MANAGEMENT SYSTEM	Process and policy definition rating				Performance rating				
	Inadequate	Requires significant improvement	Requires some improvement	Adequately defined	Serious action required (4)	Corrective action required (3)	Opportunity for improvement (2)	Performing effectively (1)	Not Rated
Key Processes									
1. Asset planning			B				2		
2. Asset creation/ acquisition				A				1	
3. Asset disposal			B				2		
4. Environmental analysis				A				1	
5. Asset operations			B				2		
6. Asset maintenance			B				2		
7. Asset management information system			B				2		
8. Risk management				A				1	
9. Contingency planning				A				1	
10. Financial planning			B				2		
11. Capital expenditure planning			B				2		
12. Review of asset management system			B				2		

## 4.2 Previous Review Recommendations

The status of the key recommendations in the previous audit report issued in May 2007 is summarised below.

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
2.1	<b>Asset Planning</b>	The asset life is not included in the Asset Register. This can assist in planning and budgeting for repairs and maintenance, particularly if a large number of the water meters.	3	PVIC to include the asset life in the Asset Register, together with the expected life of water meters.	<i>AMP committee estimated meter life to be 30yrs and to be included on AMP. Secretary/Bookkeeper to update records October 2007. PVIC Secretary/Bookkeeper October 2007</i>	The Asset Register of plant, equipment, office, meters, gates spreadsheet provides a listing of assets and dates when they were installed. However this register does not identify the meters by their asset or serial number. Another spreadsheet titled "Asset Meter Register and Maintenance Record" that identifies meters by their serial number provides information on their installation date for some but not all of the meters. The meters' life is estimated to be 30 years. <i>(Post Audit implementation Plan</i>	OUTSTANDING

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
						2.1)	
2.2	<p><b>Asset Management Information System (MIS)</b></p> <p>Logical security access controls appear adequate, such as passwords. Data backup procedures appear adequate.</p>	<p>Both of the PCs used in PVIC's office require a user name and password to start. However there is no time-out function to lock the computer after a period of inactivity.</p> <p>Also, data back-up is currently limited to having a copy of the important files on both office PCs. There is a risk that if the office is damaged, the data may be lost.</p>	2	<p>PVIC to set the inactivity parameter for the office PCs to log users out after 20 minutes of inactivity.</p> <p>PVIC to purchase encrypted USB key drives for weekly/monthly backup of hard-drives with the USB key drives being kept off-site.</p>	<p>2 x 512mg usb pens to be purchased. Director to take exchange and hold one back up each month. Secretary to purchase by April 2007.</p> <p>PVIC Secretary April 2007</p>	<p>Time out function has now been set for 20 minutes of inactivity.</p> <p>Data is backed up to an encrypted USB key drive on a weekly basis and the key is kept off-site.</p> <p>Predictions on income are in PVIC's Financial Plan until 2011. No financial predictions are provided beyond this.</p>	COMPLETED
2.3	<p><b>Risk Management</b></p> <p>Risks are documented in a risk register and treatment plans are actioned and monitored.</p> <p>The probability and</p>	<p>Risk analysis is currently limited to major risks only. There is no evidence of a complete risk analysis, including an assessment of the likelihood or consequences, mitigation actions and responsibility for management of the risk.</p>	2	<p>PVIC should create a formal risk register that is to be included in the AMP as an Appendix. This should include a formal assessment of risk including the risk owner, likelihood and consequences, a risk rating and description of the controls in place to mitigate the risk. The register should be reviewed and updated at least annually.</p>	<p>PVIC Directors will place this item on the agenda for their next full AMP review meeting. This is planned for October 2007.</p> <p>PVIC Directors October 2007</p>	<p>Although there is no formal risk register, the risks and treatment plans are documented in the Asset Management Plan, the Water Supply Operational Guidelines as well as the Emergency Response</p>	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	consequences of asset failure are regularly assessed.					Procedure and Water Contamination Policy. Due to the simplicity of the system, PVIC's current risk management is considered adequate.	
2.4	<p><b>Financial Planning</b></p> <p>The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheet).</p> <p>Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.</p>	<p>The Asset Management Plan projections include an Income and Expenditure Statement but do not include a projected Balance Sheet showing the forecast Asset and Liability position.</p> <p>Also, the plan does not include budgeted versus actual comparisons in the historical data.</p>	2	<p>PVIC to include more financial information in the Appendices to the Asset Management Plan, to provide a better analysis of past performance and to assist future planning, including:</p> <ul style="list-style-type: none"> <li>Actual/budget income and expenses for the past three years;</li> <li>Balance Sheet and Operating Statement projections; and</li> <li>Possible scenarios such as continued downward trends or a stabilisation of demand.</li> </ul>	<p><i>Items to be included at commencement of new financial year.</i></p> <p><i>Secretary/Bookkeeper to complete.</i></p> <p><i>PVIC Secretary/Bookkeeper</i></p> <p><i>July 2007</i></p>	<p>PVIC's 5 year Financial Plan includes Operating Statements (P&amp;L) and cash flow projections until 2011. There are no projected Statements of Financial Position.</p> <p>Also, PVIC's financial plan does not provide any actual versus budget comparisons.</p> <p><i>(Post Audit implementation Plan 2.3)</i></p>	OUTSTANDING



Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
2.5	<p><b>Review of Asset Management System</b></p> <p>A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.</p>	Reviews are taking place at least on an annual basis but these are not formally documented in the Asset Management Plan.	2	PVIC to document the review process in the Asset Management Plan, including information such as who is involved, what is reviewed and how frequently it is reviewed.	<p><i>AMP committee to be formed and review processes documented. Due in October 2007.</i></p> <p><i>PVIC AMP Committee</i></p> <p><i>October 2007</i></p>	The audit was advised that the AMP was last reviewed in 2010, and was previously reviewed 31 December 2006. However, the AMP has not been updated to include information on a formal review process. ( <i>Post Audit implementation Plan 2.1</i> )	OUTSTANDING

### 4.3 Review Results and Recommendations

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating <sup>3</sup>	B	Performance Rating <sup>4</sup>	2
<b>1</b>	<b>ASSET PLANNING</b>				
1.1	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	The Asset Management Plan adequately addresses the requirements of all stakeholders. Planning is simple but adequate for the scheme's needs.			
1.2	Service levels are defined.	Service Levels are effectively defined in the Asset Management Plan, the Water Supply Operational Guidelines and the Preston Operating Rules.			
1.3	Non-asset options (e.g. demand management) are considered.	Demand management is incorporated into the scheme management process. The Waterman negotiates the irrigation schedule with customers to match supply with demand.			
1.4	Lifecycle costs of owning and operating assets are assessed.	PVIC has a 5 year financial plan, currently extending to 2011/12 indicating a slight operating profit. Compared to other irrigation licensees, PVIC operations are very simple. Initial costs were for the meters and the ripples, ongoing costs are mainly for repairs and maintenance to the meters.			
1.5	Funding options are evaluated.	All purchases are funded through the cash reserves held by PVIC. Given the small cost of replacement assets this would appear adequate.			
1.6	Costs are justified and cost drivers identified.	The operations appear to be quite efficient with costs kept low. The primary cost driver is the cost and quantity of water from the dam that feeds the river during the irrigation season; this is fixed at an agreed rate with the Water Corporation.			
1.7	Likelihood and consequences of asset failure are predicted.	<p>The Asset Register of plant, equipment, office, meters, gates spreadsheet provides a listing of assets and dates when they were installed. However this register does not identify the meters by their asset or serial number. Another spreadsheet titled "Asset Meter Register and Maintenance Record" that identifies meters by their serial number provides information on their installation date for some but not all of the meters. The meters' life is estimated to be 30 years. Consequences are well covered in monitoring and replacement procedures.</p> <p><b>Recommendation:</b></p>			

<sup>3</sup> Process ratings: A=adequately defined, B=requires some improvement, C=requires significant improvement, D=inadequate.

<sup>4</sup> Performance ratings: 1=performing effectively, 2=opportunity for improvement, 3=corrective action required, 4=serious action required

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<ul style="list-style-type: none"> <li data-bbox="792 363 2002 419">▪ The Asset Meter Register and Maintenance Record spreadsheet should be updated to provide the installation date for all meters currently on the asset register.</li> </ul> <p data-bbox="792 435 1182 464"><i>(Post Audit implementation Plan 2.2)</i></p>			
1.8	Plans are regularly reviewed and updated.	<p data-bbox="792 480 2040 536">The AMP was last updated in 2010 and no significant changes have occurred since then. Minor amendments of operating staff names should occur. Also, the financial information needs to be updated beyond 2011/12.</p> <p data-bbox="792 552 987 580"><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li data-bbox="837 596 2040 652">▪ Review and revise the Asset Management Plan including the financial information and minor changes in staff.</li> </ul> <p data-bbox="792 668 1182 697"><i>(Post Audit Implementation Plan 2.1)</i></p>			
<b>2</b>	<b>ASSET CREATION/ ACQUISITION</b>	Process Rating	A	Performance Rating	1
2.1	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	No new assets are planned beyond the ongoing repairs and maintenance for the meters. As the scheme is reasonably young and demand is below supply and dropping, this would seem reasonable.			
2.2	Evaluations include all life-cycle costs.	No new assets are anticipated, merely replacement and/or repair of assets through normal operations.			
2.3	Projects reflect sound engineering and business decisions.	No new assets are anticipated. New meters are purchased from either Harvey Water or ABS Meters, or an alternative supplier the Board so approves.			
2.4	Commissioning tests are documented and completed.	No new assets are anticipated.			
2.5	Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	The AMP outlines the legislative requirements.			
<b>3</b>	<b>ASSET DISPOSAL</b>	Process Rating	B	Performance Rating	2
3.1	Under-utilised and under-performing assets are identified as part of a regular systematic review process.	Meters are checked annually for accuracy of readings. The meters will be sent for calibration and servicing during the winter period of each year if on inspection they indicate any signs of wear or deterioration. Meters are tested at least every 18 months for scale in the bore and wear in moving parts. Records are kept by the Waterman regarding dates			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<p>of maintenance checks and or replacements.</p> <p>The audit sighted PVIC's Asset Meter Register and Maintenance Record spreadsheet and noted that the last record of meters being inspected or tested is in 2007. PVIC's Asset Meter Register and Maintenance Record spreadsheet should be updated and kept up to date. <i>(Post Audit Implementation Plan item 2.2)</i></p>			
3.2	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	The Waterman monitors the meters and other assets and takes action as required. All meters are inspected for operation before the start of each season as indicated in the operation plan and replaced with standby meters held for that purpose as necessary.			
3.3	Disposal alternatives are evaluated.	There is little in the way of disposal - broken meters are kept for spares.			
3.4	There is a replacement strategy for assets.	The AMP covers the replacement of meters.			
<b>4</b>	<b>ENVIRONMENTAL ANALYSIS</b>	Process Rating	A	Performance Rating	1
4.1	Opportunities and threats in the system environment are assessed.	The Asset Management Plan includes a section on the Asset Environment. This provides an overview of usage trends, population and climate changes and a customer profile.			
4.2	Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved.	Performance measures are listed in the section on levels of service. These are recorded by the Waterman and Secretary for reporting to the Authority.			
4.3	Compliance with statutory and regulatory requirements.	Regular reports are submitted to the Authority demonstrating compliance with the licence.			
4.4	Achievement of customer service levels.	Records indicate service levels are regularly achieved. No customer complaints have been recorded.			
<b>5</b>	<b>ASSET OPERATIONS</b>	Process Rating	B	Performance Rating	2
5.1	Operational policies and procedures are documented and linked to service levels required.	Operating policies and procedures are covered in the Asset Management Plan, the Duties of the Waterman, the Water Supply Operational Guidelines and the Water Corporation and the PVIC Bulkwater Agreement Delivery Operating Rules. These would appear to be consistent with service level requirements.			
5.2	Risk management is applied to prioritise operations tasks.	Risk management is applied to operational tasks but is not formally linked to the Risk Management section in the AMP. However, due to the simplicity of the system, PVIC's current risk management is considered adequate.			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
5.3	Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and accounting data.	<p>The Asset Register of plant, equipment, office, meters, gates spreadsheet provides a listing of assets and dates when they were installed. However this register does not identify the meters by their asset or serial number. Another spreadsheet titled "Asset Meter Register and Maintenance Record" that identifies meters by their serial number provides information on their installation date for some but not all of the meters. The Asset Meter Register and Maintenance Record spreadsheet includes the meter number, serial number, date installed, date inspected, inspection results, date tested, irrigator, history/status and GPS location.</p> <p>The audit sighted PVIC's Asset Meter Register and Maintenance Record spreadsheet and noted that the last record of meters being inspected or tested is in 2007. PVIC's Asset Meter Register and Maintenance Record spreadsheet should be updated and kept up to date.</p> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>▪ PVIC's Asset Meter Register and Maintenance Record spreadsheet should be updated with most recent dates when the meters were inspected or tested and kept up to date.</li> </ul> <p><i>(Post Audit Implementation Plan item 2.2)</i></p>			
5.4	Operational costs are measured and monitored.	<p>All asset expenditure is captured in PVIC's Financial Management Information System (FMIS). The historical cost information for the assets has not been transferred to the Asset Register but is in the FMIS.</p> <p>The Secretary enters the costs incurred into the FMIS and reports on these to the Board.</p>			
5.5	Staff receive training commensurate with their responsibilities.	<p>Staff are employed based on their suitability to perform the tasks required of them. No specific training is provided. The audit sighted the Duties of the Waterman document as well as the Waterman's Job Description Form.</p>			
<b>6</b>	<b>ASSET MAINTENANCE</b>	Process Rating	B	Performance Rating	2
6.1	Maintenance policies and procedures are documented and linked to service levels required.	<p>The AMP includes a section on maintenance. The Waterman's duties have also been documented and include steps for testing and repair. These would appear to be consistent with service level requirements.</p>			
6.2	Regular inspections are undertaken of asset performance and condition.	<p>During the irrigation season, the Waterman takes meter readings once a fortnight and checks for faults or misuse. The raffles and gates in the river are operated manually by the Waterman. Routine maintenance is performed outside the irrigation season.</p>			
6.3	Maintenance plans (emergency, corrective and preventative) are documented and completed on	<p>Maintenance plans are documented in the AMP. Maintenance is limited due to the simple nature of the scheme and provided on an as-needs basis or out of season if not urgent.</p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	schedule.				
6.4	Failures are analysed and operational/maintenance plans adjusted where necessary.	Meter maintenance is recorded in the Asset Meter Register and Maintenance Record spreadsheet. However, as already noted in item 5.3, the last record of meters being inspected or tested is in 2007. PVIC's Asset Meter Register and Maintenance Record spreadsheet should be updated and kept up to date. <i>(Post Audit Implementation Plan item 2.2)</i>			
6.5	Risk management is applied to prioritise maintenance tasks.	Risk management is applied but not formally documented at an operations level. However, due to the simplicity of the system, PVIC's current risk management is considered adequate.			
6.6	Maintenance costs are measured and monitored.	Maintenance costs are recorded in the FMIS and reported to the Board.			
<b>7</b>	<b>ASSET MANAGEMENT INFORMATION SYSTEM</b>	Process Rating	A	Performance Rating	1
7.1	Adequate system documentation for users and IT operators.	There is no dedicated AMIS in use at PVIC. Information is recorded manually and then entered into MYOB or spreadsheets. This is considered adequate given the small size and simple system.  The basic tasks required of the Secretary are documented to allow a replacement person to perform the major tasks with assistance.			
7.2	Input controls include appropriate verification and validation of data entered into the system.	The system relies on correct data entry and manual checks for reasonableness.			
7.3	Logical security access controls appear adequate, such as passwords.	The office computer is only used by the Office Administrator and is password protected.			
7.4	Physical security access controls appear adequate.	The office is closed and locked when un-attended. No breaches of security have been encountered.			
7.5	Data backup procedures appear adequate.	The data is regularly backed up and stored both on and off site.			
7.6	Key computations related to licensee performance reporting are materially accurate.	The usage recordings are recorded manually and entered into a spreadsheet.			
7.7	Management reports appear adequate	Reporting is simple but adequate for PVIC's needs and to provide reports required by the licence.			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	for the licensee to monitor licence obligations.				
<b>8</b>	<b>RISK MANAGEMENT</b>	Process Rating	A	Performance Rating	1
8.1	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	<p>The AMP includes a half page risk analysis of the major risks to the organisation. There are policies and procedures in place for significant risks. These are covered in the Asset Management Plan, the Water Supply Operational Guidelines as well as in the Emergency Response Procedure and Water Contamination Policy.</p> <p>PVIC recognises the possible risks associated with the destruction of the Glen Mervyn Dam and contamination of the water either in the dam or along the Preston River. Both of these events conclude with no water being available to irrigators for a period of time.</p> <p>The Water Corporation operates the Glen Mervyn Dam and has responsibility for events affecting the dam structure and water contained within the walls. PVIC has adopted a Contamination Procedure and Policy, and follows the guidelines as set down in the National Counter-Terrorism Plan.</p> <p>PVIC has taken the following steps in view of the risks associated with the non-availability of water to flow down the Preston River. One of the landowners has consented to PVIC purchasing the water from his dam in the event of a disaster allowing water to flow down the Preston River. His dam has a capacity to hold in excess of 800 mega litres of water following normal rainfalls during winter.</p>			
8.2	Risks are documented in a risk register and treatment plans are actioned and monitored.	Although there is no formal risk register, the risks and treatment plans are documented in the Asset Management Plan, the Water Supply Operational Guidelines as well as the Emergency Response Procedure and Water Contamination Policy. Due to the simplicity of the system, PVIC's current risk management is considered adequate.			
8.3	The probability and consequences of asset failure are regularly assessed.	Major risks have been identified in the AMP including likelihood and consequences. However, there is currently no formal risk rating applied to the risks identified in the AMP. Due to the simplicity of the system, PVIC's current risk management is considered adequate.			
<b>9</b>	<b>CONTINGENCY PLANNING</b>	Process Rating	A	Performance Rating	1
9.1	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	<p>The Asset Management Plan includes in its risk analysis, water contamination and non-availability. Failure of meters is also covered with steps for the Waterman to replace or repair the meters. There is also a separate Water Contamination Policy, plus PVIC has the Water and Rivers Commission Hazmat Emergency Plan and Oil Spill Plan.</p> <p>As a contingency plan, PVIC holds sufficient spare parts to undertake repairs on two meters of each size in its system.</p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		It also has on hand a minimum of one complete serviced and calibrated meter of each size in the system. No regular testing is carried out, due to the low probability and simplicity of the procedure.			
<b>10</b>	<b>FINANCIAL PLANNING</b>	Process Rating	B	Performance Rating	2
10.1	The financial plan states the financial objectives and strategies and actions to achieve the objectives.	The financial plan in the AMP is quite simple but outlines sufficiently the general manner in which PVIC's finances are managed.			
10.2	The financial plan identifies the source of funds for capital expenditure and recurrent costs.	The source of funds is identified in the plan as annual water charges and interest revenue from excess funds.			
10.3	The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	PVIC's 5 year Financial Plan includes Operating Statements (P&L) and cash flow projections until 2011/12. There are no projected Statements of Financial Position. <b>Recommendation:</b> <ul style="list-style-type: none"> <li>• PVIC to include more financial information in the Appendices to the Asset Management Plan, to provide a better analysis of past performance and to assist future planning, including:               <ul style="list-style-type: none"> <li>○ Balance Sheet and Operating Statement projections.</li> </ul> </li> </ul> <i>(Post Audit Implementation Plan 2.3)</i>			
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	Predictions on income are in PVIC's Financial Plan until 2011/12. No financial predictions are provided beyond this. <b>Recommendation:</b> <ul style="list-style-type: none"> <li>• PVIC to develop a new financial plan for next 5 years from 2012/13.</li> </ul> <i>(Post Audit Implementation Plan 2.3)</i>			
10.5	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	The AMP explains how much is kept aside during the irrigation season in the cheque account for operating costs.			
10.6	Significant variances in actual/budget income and expenses are identified	PVIC's financial plan does not provide any actual versus budget comparisons.			



Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	and corrective action taken where necessary.	<p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>• PVIC to include more financial information in the Appendices to the Asset Management Plan, to provide a better analysis of past performance and to assist future planning, including:               <ul style="list-style-type: none"> <li>○ Actual/budget income and expenses for the past three years.</li> </ul> </li> </ul> <p><i>(Post Audit Implementation Plan 2.3)</i></p>			
<b>11</b>	<b>CAPITAL EXPENDITURE PLANNING</b>	Process Rating	B	Performance Rating	2
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	The capital expenditure requirements of PVIC are very small for an irrigator. With the completion of the riffles and upgrade of the dam, the main capital expenditure requirement will be for new meters to replace old ones when they wear out - this is noted in the financial plan.			
11.2	The plan provides reasons for capital expenditure and timing of expenditure.	The reasons and timing are provided for the meters which are the main capital expense for PVIC.			
11.3	The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.	<p>The capital expenditure plan is consistent with the estimated replacement year. In reality some assets will fail earlier than the standard life and some assets will remain useful beyond the standard replacement life.</p> <p>However, the “Asset Meter Register and Maintenance Record” spreadsheet that identifies meters by their serial number provides information on their installation date for some but not all of the meters. The meters’ life is estimated to be 30 years. <i>(Post Audit Implementation Plan 2.2)</i></p> <p>Also, the “Asset Meter Register and Maintenance Record” spreadsheet has not been updated for information on inspections and testing of meters since 2007. <i>(Post Audit Implementation Plan 2.2)</i></p>			
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	The financial plan stipulates that the budgeted financial statements be reviewed annually. Refer recommendation in section 10.6.			
<b>12</b>	<b>REVIEW OF ASSET MANAGEMENT SYSTEM</b>	Process Rating	B	Performance Rating	2
12.1	A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.	<p>The audit was advised that the AMP was last reviewed in 2010, and was previously revised on 31 December 2006. However, the AMP has not been updated to include information on a formal review process.</p> <p><b>Recommendation:</b></p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<ul style="list-style-type: none"> <li>▪ PVIC to document the review process in the Asset Management Plan, including information such as who is involved, what is reviewed and how frequently it is reviewed.</li> </ul> <p><i>(Post Audit Implementation Plan 2.1)</i></p>
12.2	Independent reviews (e.g. internal audit) are performed of the asset management system.	An independent review is performed every 5 years as required by the licence.

#### 4.4 Conclusion

The review of the asset management system has shown that the processes are generally adequate and that PVIC staff are familiar with the requirements of the system and apply these in the day to day operational running of the system.

Overall, the asset management system is well run by competent and experienced staff. There are no recorded complaints against the system and it appears to operate effectively.

The review confirmed that out of the five recommendations in the previous review report dated May 2007, one has been completed, one is no longer required and three are still outstanding.

The outstanding audit recommendations are:

- The Asset Meter Register and Maintenance Record spreadsheet has not been updated to provide information on the installation dates for all meters currently on the register;
- Financial information in the Appendices of the Asset Management Plan (AMP) has not been updated to include actual/budget comparisons and the projected statement of Financial Position; and
- The AMP has not yet been updated to include information on a formal review process.

The following new issues were noted:

- Predictions on income are in PVIC's Financial Plan up to 2011/12. No financial predictions are provided beyond this;
- Minor amendments for the names of operating staff should occur in the AMP; and
- The Asset Meter Register and Maintenance Record spreadsheet was last updated for information on meter inspections and testing in 2007.

The review recommended that PVIC:

- Update the Asset Meter Register and Maintenance Record spreadsheet to provide the installation date for all meters currently on the asset register;
- Review and revise the AMP including the financial information and minor changes in staffing;
- Update the Asset Meter Register and Maintenance Record spreadsheet with the most recent dates when the meters were inspected or tested and keep the spreadsheet up to date.
- Include more financial information in the Appendices to the AMP to provide a better analysis of past performance and to assist future planning, including:
  - Balance Sheet and Operating Statement projections; and
  - Actual/budget income and expenses for the past three years.
- Develop a new financial plan for the next five years from 2012/13; and
- Document the review process in the AMP, including information such as who is involved, what is reviewed and how frequently it is reviewed.

*The Post Audit Implementation Plan in Appendix A provides a summary of the issues and recommendations from the asset management system review with responses from PVIC.*

## Appendix A: Post Audit Implementation Plan

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
<b>1</b>	<b>Operational Audit</b>				
1.1 (item 20)	<p><b>Customer Service Charter</b></p> <p>The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence.</p> <p>The audit confirmed with PVIC's Secretary that a copy of the charter is available for viewing at PVIC's Office, although the charter is not prominently displayed at PVIC's Office. The charter is provided upon request and at no charge to customers.</p> <p>PVIC's Secretary advised that those customers that attend the AGM are advised of the availability of the charter during the AGM, however no annual advice of the charter availability is being provided to all entitled users.</p>	Medium	<p>a) Prominently display the Customer Service Charter at PVIC's office.</p> <p>b) Amend the season opening advice notice to include advice of the availability of the Customer Service Charter.</p>	Agreed	31/07/2012 Office Administrator
1.2 (item 48)	<p><b>Compliance and Performance Reporting</b></p> <p>In accordance with the Water Compliance Reporting Manual May 2011, PVIC is required to submit to the Authority:</p> <ul style="list-style-type: none"> <li>Annual performance reports no later than 31 July for the reporting year ending 30 June; and</li> </ul>	Medium	<p>a) Ensure that all future Performance and Compliance Reports are submitted to the Authority within the timeframes required and copies of reports and correspondence between PVIC and the Authority retained.</p> <p>b) Update PVIC's task schedule of</p>	Agreed	31/07/2012 Office Administrator

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	<ul style="list-style-type: none"> <li>Annual compliance reports by 31 August for the year ending 30 June.</li> </ul> <p>The audit reviewed PVIC's Compliance and Performance Reports for the years ending 30 June 2008, 2009, 2010 and 2011 and noted the following exceptions:</p> <ul style="list-style-type: none"> <li>Performance and Compliance Reports for the year ended 30 June 2010 and 2011 were submitted after the due date; and</li> <li>PVIC was not able to locate the Performance and Compliance Reports for the year ended 30 June 2007;</li> </ul> <p>PVIC's task schedule of dates includes the annual Performance Report submission date but not the annual Compliance Report submission date.</p>		<p>dates to include the annual Compliance Report submission date.</p>		
<b>2</b>	<b>Asset Management System Review</b>				
2.1	<p><b>Asset Planning – AMP review and update</b></p> <p>The Asset Management Plan should be reviewed and updated on an annual basis with major revisions every 5 years.</p> <p>The AMP was last updated in 2010 and no significant changes have occurred since then, only minor amendments of operating staff names. Also, the financial information needs to be updated beyond 2011-12.</p>	Medium	<p>a) Review and revise the Asset Management Plan on an annual basis, including the financial information and minor changes in staffing.</p> <p>b) Document the review process in the Asset Management Plan, including information such as responsibility, what is reviewed</p>	Agreed	Office Administrator 31/08/2012

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	The AMP does not include information on the formal review process.		and how frequently.		
2.2	<p><b>Asset Operations - Asset Register</b></p> <p>Assets should be documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and accounting data.</p> <p>The Asset Meter Register and Maintenance Record spreadsheet includes the meter number, serial number, date installed, date inspected, inspection results, date tested, irrigator, history/status and GPS location. All accounting information is kept separately in the FMIS.</p> <p>a) The spreadsheet identifies meters by their serial number and provides information on their installation date for some but not all of the meters. The meters' life is estimated to be 30 years. The Asset Register of plant, equipment, office, meters and gates (spreadsheet) provides a listing of assets and the dates when they were installed but not the serial number.</p> <p>b) The Asset Meter Register and Maintenance Record spreadsheet should be updated and kept up to date. The last record of meters being inspected or tested is in 2007.</p>	Medium	<p>a) Update the Asset Meter Register and Maintenance Record with the installation date for all meters currently on the other Asset Register</p> <p>b) Update the Asset Meter Register and Maintenance Record with the most recent dates when the meters were inspected or tested and for future inspections.</p>	<i>Agreed</i>	<p>Office Administrator</p> <p>31/08/2012</p>

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
2.3	<p><b>Financial Planning</b></p> <p>The following deficiencies in the financial plan in the Asset Management Plan were noted:</p> <ul style="list-style-type: none"> <li>a) PVIC's 5 year Financial Plan includes Operating Statements (P&amp;L) and cash flow projections until 2011/12. There are no projected Statements of Financial Position.</li> <li>b) Predictions on income are in PVIC's Financial Plan until 2011/12. No financial predictions are provided beyond this.</li> <li>c) PVIC's financial plan does not provide any actual versus budget comparisons.</li> </ul>	Medium	<p>In the next revision of the Asset Management Plan:</p> <ul style="list-style-type: none"> <li>a) Include more financial information in the Appendices to the Asset Management Plan, to provide a better analysis of past performance and to assist future planning, including Balance Sheet and Operating Statement projections.</li> <li>b) Develop a new financial plan for next 5 years from 2012/13.</li> <li>c) Include actual/budget income and expenses for the past three years.</li> </ul>	<i>Agreed</i>	<p>Office Administrator</p> <p>31/08/2012</p>

END OF REPORT