



Quantum
Assurance

Ord Irrigation Cooperative Limited

Water Services Operating Licence

(Irrigation Services and
Non-Potable Water Supply)

Operational Audit and Asset Management System Review

Final Report

November 2012

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Executive Summary

The Ord Irrigation Co-operative Ltd ('OIC') 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 Ord River region in Western Australia.

Irrigation water is delivered to farms from Lake Kununurra. The Water Corporation owns and operates the bulk water infrastructure from which the irrigation is released to supply water to the main off-takes. The Water Corporation has also maintained ownership of the M1 Channel and its infrastructure. The OIC operates and maintains this through an Operations and Maintenance Contract with the Water Corporation. The OIC's combined delivery system consists of approximately 159 kilometres of earth lined channels and is controlled by approximately 120 flow regulators. Water is delivered through the supply channels by a combination of automatic and manual operation of the channel control and check-structures to reach supply points, where water enters individual farm lots.

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 1st June 2009 to 31st May 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 OIC has complied with its Water Services Operating Licence performance and quality standards and obligations during the audit period 1st June 2009 to 31st May 2012 with the exception of the following non-compliances as follows:

- Not complying with the licence performance of providing all customers with an annual advice that the water is non-potable;
- Not providing a current copy of the Customer Service Charter, or a summary document approved by the Authority, to all customers at least once in every three year period;
- Not providing services in accordance with the current Customer Service Charter by not publishing a newsletter every six months;
- Not complying with a minimum requirement for customer consultation due to not publishing a newsletter or establishing other forums for community consultation;
- Not including items of 'season opening and closing conditions', 'tariffs' and 'scheme operation' on the Agenda of the Annual General Meeting of customers; and
- Not providing the 2009/10 Compliance Report to the Authority within the required timeframes. Also, the OIC could not provide any evidence that the Performance Reports for 2008/09 to 2010/11 were submitted to the Authority by the due date.

The audit reviewed the action taken on the previous audit recommendations in the audit report dated November 2009 and confirmed that out of three previous recommendations, two had been completed and one has been partially completed. The partially completed issue is:

- Not maintaining a record of meetings held with customers.

The audit recommended that the OIC:

- Ensure that all customers are provided with annual notification that the water supplied is not suitable for drinking e.g. as part of the annual rates and charges notice mail out;
- Ensure that information included in the annual Performance Report is complete and correct before its submission to the Authority;
- Ensure that all customers are provided with a current copy of the Customer Service Charter, or a summary document approved by the Authority, at least once in every three year period;
- Resume publishing newsletters every six months, in accordance with the current approved Customer Service Charter, or establish other forums for consultation to enable community involvement in issues concerning the licensed activities;
- Maintain a record of meetings held with customers;
- Ensure that the Annual General Meeting Agenda includes items for 'season opening and closing conditions', 'tariffs' and 'scheme operation';
- Ensure that Performance and Compliance Reports are submitted to the Authority within the required timeframes and copies of reports and correspondence are retained; and
- Update the Checklist of Regular Tasks and Compliance Issues to include all compliance tasks and reporting requirements.

The audit confirmed that the OIC has complied with its information reporting obligations for the period 1st July 2008 to 30th June 2011 apart from the exceptions noted above.

The audit made recommendations to the OIC to improve the strength of its internal controls over its 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 system is well-run by competent and experienced staff who are familiar with the requirements of the system and apply these in the day to day operational running of the system.

However, the recording and documentation of the system (plans, policies, procedures and asset management information system) requires improvement, particularly in respect of recording details of the assets in an Asset Management Information System (AMIS) and documenting or updating policies and procedures.

The review confirmed that all five recommendations in the previous review report dated November 2009 have been completed.

The following new issues were noted:

- The AMIS is very out-of-date and requires substantial updating to make it useful, including updating the condition of assets on an annual basis;
- Operational policies and procedures have not been reviewed and updated since 2004 for some areas;
- There are no documented maintenance policies and procedures or a record of planned and completed maintenance. Maintenance appears to be done according to staff knowledge and is not recorded;
- A Risk Management Policy exists but has not been used to develop a risk register and treatment plans;
- There are no records of staff training needs and of training undertaken;

- The Asset Management Plan was last reviewed in 2008 and to be reviewed every five years. However, the audit considers an annual review is necessary to update the condition of the assets, risk assessment and financial projections with major revisions every five years.

The review recommended that the OIC:

- Reviews and updates the Operations policies and procedures;
- Updates or replaces the AMIS;
- Reviews the training needs of staff annually and maintains training records;
- Documents a maintenance policy and procedure including recording of planned and actual maintenance;
- Assesses the condition of assets on an annual basis and updates the AMIS;
- Implements the risk management policy including the documentation of a risk register and treatment plans;
- Reviews the contingency plans annually rather than every two years and arranges testing where necessary;
- Includes the projected financial position in the 5 yearly financial plan in addition to the income and expenditure forecasts; and
- Reviews the Asset Management Plan on an annual basis with major revisions every five years as planned.

POST AUDIT IMPLEMENTATION PLAN

The Post-Audit Implementation Plan in Appendix A provides a summary of the issues and recommendations from this Operational Audit and Asset Management System Review with management responses from the OIC.

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

Audit Opinion

Report on the Operational Audit of the Water Services Operating Licence

We have audited the compliance of the OIC with the procedures and controls over the performance and quality standards and licence obligations of the Water Services Operating Licence for the period 1st June 2009 to 31st May 2012 as measured by the Economic Regulation Authority's ('the Authority's') Water Compliance Reporting Manual, May 2011.

Respective Responsibilities

The OIC 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 OIC 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 1st June 2009 to 31st May 2012 as measured by the Authority's Water Compliance Reporting Manual, May 2011.

Limitations

This report was prepared for distribution to the OIC and the Authority for the purpose of fulfilling the OIC'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 the OIC 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, the OIC has complied, in all material respects, with the performance and quality standards and obligations of the Water Services Operating Licence for the period from 1st June 2009 to 31st May 2012 with the exception of:

- Not complying with the licence performance of providing all customers with an annual advice that the water is non-potable;
- Not providing a current copy of the Customer Service Charter, or a summary document approved by the Authority, to all customers at least once in every three year period;
- Not providing services in accordance with the current Customer Service Charter by not publishing a newsletter every six months;
- Not complying with a minimum requirement for customer consultation due to not publishing a newsletter or establishing other forums for community consultation;
- Not including items of 'season opening and closing conditions', 'tariffs' and 'scheme operation' on the Agenda of the Annual General Meeting of customers; and

- Not providing the 2009/10 Compliance Report to the Authority within the required timeframes. Also, the OIC could not provide any evidence that the Performance Reports for 2008/09 to 2010/11 were submitted to the Authority by the due date; and
- The recording and documentation of the system (plans, policies, procedures and asset management information system) requires improvement, particularly in respect of recording details of the assets in an Asset Management Information System (AMIS) and documenting or updating policies and procedures.

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 7 DECEMBER 2012

Ord Irrigation Cooperative Limited

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

Operational Audit and Asset Management System Review - Introduction

Final Report
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1. Background

The Ord Irrigation Co-operative Ltd ('OIC') 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 Ord River region in Western Australia.

Not less than once in every period of 36 months, the OIC requires an operational audit of compliance with the licence conditions and a review of the asset management system in order to comply with the licensing requirements of the Authority. The previous audit period was from 1st June 2007 to 31st May 2009 (report issued in November 2009).

The OIC 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 37, Version OL2, dated 15 May 2009), applicable legislation and the Audit Guidelines issued by the Authority in August 2010.

2. Methodology

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 1st June 2009 to 31st May 2012 inclusive and was conducted in July 2012.

The previous audit covered the period 1st June 2007 to 31st May 2009 inclusive.

2.3 Licensee's Representatives Participating in the Audit

- Mathew Dear – General Manager

2.4 Key Documents Examined

- OIC Water Services Operating Licence 37 (Version OL2) dated 15 May 2009
- Ord River Operating Area (Irrigation services and non-potable water supply services) Plan No. OWR-OA-284
- Audit Report - OIC Water Licence Operational Audit dated 18 November 2009
- Audit Report - OIC Water Licence Asset Management Review dated 18 November 2009
- Post Audit Implementation Plan - OIC Water Licence Operational Audit and Asset Management Review dated 18 November 2009
- Post Audit Implementation Plan update dated April 2012
- OIC Customer Service Charter (issued December 2008)
- OIC 2011 Annual Report
- OIC Complaints Log Excel spreadsheet
- CEO Checklist of regular tasks and compliance issues
- Growers Survey 2009, 2010 and 2011
- Register of official meetings at OIC
- OIC Asset Management Plan (last reviewed August 2008);
- Performance Reports to the Authority for the years ended 30 June 2009, 2010 and 2011
- Compliance Reports to the Authority for the years ended 30 June 2009, 2010 and 2011
- Correspondence between OIC and the Authority
- OIC 5 Year Financial Plan 2012-2017
- OIC Strategic Business Plan for 2011-2016
- OIC Asset Creation Policy
- OIC Asset Disposal Policy
- OIC Environmental Management Policy
- OIAMC Disaster Management Plan (revised June 2011)
- OIC Policies and Procedures Manual (updated 2010)
- Ord Irrigation Risk Management Policy
- OIC Waterman's Manual (last updated March 2007)
- OIC Asset Management and Maintenance System 2008
- Agenda and Minutes of the 2009, 2010 and 2011 Annual General Meetings.

2.5 Operational Audit - Compliance Ratings

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

Asset management process - Performance ratings

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

2.7 Audit Team and Hours

NAME AND POSITION	HOURS
Geoff White – Director	5
Andrea Stefkova – Assistant Manager	35
Steve Park – Senior Engineer (David Wills and Associates)	20
TOTAL	60

Ord Irrigation Cooperative Limited

Water Services Operating Licence
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Operational Audit – Detailed Report

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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. ¹	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	
WATER SERVICES LICENSING ACT 1995														
1	General duty to provide services	n/a	1	C	Low	Strong						✓		
2	Regulations prescribing standard of service	Cl. 19	3	B	High	Weak		✓						
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	Moderate				✓				
6	Operational Audit	Cl. 16.1	1	C	Low	Moderate				✓				
7	Comply with Performance Standards (emergency response, complaints, continuity and overflows)	Cl. 20.1	3	B	High	Weak		✓						
WATER COORDINATION REGULATIONS 1996														
8	Payment of fees	Cl. 4.1	1	C	Low	Strong								✓
OTHER LICENCE CONDITIONS														
9	Customer complaints process	Cl. 6.1	2	B	Medium	Strong						✓		
10	Customer complaints resolution	Sch.3, Cl. 3.1	2	B	Medium	Strong						✓		
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	Moderate				✓				
16	<i>Not applicable – only applies to local government</i>	Sch.3 Cl.3.10	N/A	N/A	N/A	N/A							✓	
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								✓

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

No. ¹	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		
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	Moderate				✓					
22	Services consistent with Charter	Sch.3 Cl. 2.7	2	B	Medium	Weak		✓							
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	Weak		✓							
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	Weak		✓							
28	Customer consultation prior to major changes	Sch.3 Cl. 4.5	2	B	Medium	Strong									✓
29	<i>Not applicable – only applies to local government</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 November 2009 is summarised below.

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
1.1 (items 9 and 14)	Customer Complaints	Complaints are not assigned with a unique complaint number.	4	A unique complaint number should be assigned to each complaint.	<i>Register to be reconfigured to automatically generate a unique complaint number.</i> CEO <i>Completed</i>	Complaints are recorded in the OIC's Complaints Log with a unique complaint number.	COMPLETED
1.2 (items 23 and 24)	Customer Consultation	There is currently no record maintained of meetings held with customers.	4	A record of meetings held with customers should be maintained.	<i>A register of all formal meetings with customers will be established and maintained.</i> CEO <i>Completed</i>	Although, the OIC Meeting Register was subsequently created in November 2009 to register official meetings at the OIC involving OIC customers, the register has not been updated since March 2010. <i>(Post Audit Implementation Plan item 1.7)</i>	PARTIALLY COMPLETED
1.3 (item 48)	Provision of Information	The OIC did not meet the deadline given by the Authority to submit the necessary information due to delays in obtaining the audited financial data.	4	The OIC should take into consideration the requirement to meet the Authority's deadlines when planning for external audits.	<i>Options to obtain financial audit data by 28 October each year will be explored.</i> CEO - 30 <i>November 2009</i>	A new auditor was appointed with earlier reporting deadlines.	COMPLETED

3.3 Audit Results and Recommendations

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)
DETAILED COMPLIANCE OBLIGATIONS							
LICENCE COMPLIANCE REQUIREMENTS – WATER SERVICES LICENSING ACT 1995							
1	Water Services Licensing Act Section 32(1)(a)	n/a	The licensee must provide the water service.	1	5	The audit confirmed that the OIC 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	The audit reviewed the OIC's Performance Reports for the years ended 30 June 2009, 2010 and 2011, interviewed the OIC's General Manager and reviewed supporting documentation. This confirmed that the OIC complied with all performance standards except for not providing customers with annual notification that the water supplied is not suitable for drinking. Refer recommendation in item 7.	2
3	Water Services Licensing Act Section	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

² Number refers to the item reference in the Water Compliance Reporting Manual, ERA May 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)
	36(1)(a)						
4	Water Services Licensing Act Section 36(1)(b)	Clause 17.2	The Licensee must notify the Authority of any changes to the Asset Management System.	2	5	The audit confirmed with the OIC's General Manager that during the audit period, the OIC has made no significant changes to the asset management system. The Authority has been kept informed about the progress of implementation of the previous audit recommendations via the Post Audit Implementation Plan updates.	N/R
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 previous Asset Management System Review covered the period 1 st June 2007 to 31 st May 2009 inclusive. The previous Audit Report – OIC Water Licence Asset Management Review was dated 18 November 2009. The audit reviewed the Checklist of Regular Tasks and Compliance Issues and noted that the Asset Management System Review dates are not included in the schedule of events. Recommendation: <ul style="list-style-type: none"> Update the Checklist of Regular Tasks and Compliance Issues to include the next Asset Management System Review dates to ensure regulatory timeframes are met. <i>(Post Audit Implementation Plan item 1.1)</i>	4
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	2	5	The previous Operational Audit covered the period 1 st June 2007 to 31 st May 2009 inclusive. The previous Audit Report – OIC Water Licence Operational Audit was dated 18 November 2009.	4

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)
			operational audit conducted by an independent expert, acceptable to the Authority.			<p>The audit reviewed the Checklist of Regular Tasks and Compliance Issues and noted that the Operational Audit dates are not included in the schedule of events.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Update the Checklist of Regular Tasks and Compliance Issues to include the next Operational Audit dates to ensure regulatory timeframes are met. <p><i>(Post Audit Implementation Plan item 1.1)</i></p>	
7	Water Services Licensing Act Section 38(2)	Clause 20.1	<p>The licensee must comply with the performance standards set out in Schedule 4.</p> <ul style="list-style-type: none"> 100% of customers provided with non-potable water receive annual advice that the water supplied is not suitable for drinking. To supply water that is less than 1200 mg/L TDS (quarterly testing of bulk sources). 90% of customer complaints resolved within 15 business days. 	2	2	<p>The audit reviewed the OIC's Performance Reports for the years ended 30 June 2009, 2010 and 2011, interviewed the OIC's General Manager and reviewed supporting documentation. This confirmed that the OIC complied with all performance standards except for the following:</p> <ul style="list-style-type: none"> The OIC does not provide its customers with annual notification that the water supplied is not suitable for drinking. The audit reviewed the Checklist of Regular Tasks and Compliance Issues and noted that the requirement of annual notification of non-potable water is not included in the schedule of events. <p>Recommendations:</p> <ol style="list-style-type: none"> Ensure that all customers are provided with annual notification that the water supplied is not suitable for drinking e.g. as part of the annual rates and charges notice mail out. 	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)
			<ul style="list-style-type: none"> In the preceding 12 month period, 90% of all customers received the service standard (planned service interruptions with 5 business day's notice). 			<p>b) Update the Checklist of Regular Tasks and Compliance Issues to include the requirement for annual notification to customers of non-potable water.</p> <p><i>(Post Audit Implementation Plan item 1.2)</i></p>	
LICENCE COMPLIANCE REQUIREMENTS – WATER COORDINATION REGULATION 1996							
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 30 July 2027. The application for renewal of the licence is to be accompanied by the prescribed fee.	N/R
LICENCE COMPLIANCE REQUIREMENTS – LICENCE CONDITIONS							
9	N/A	Clause 6.1	The licensee must establish a customer complaints process as set out in Schedule 3.	NR	3	The OIC's Customer Service Charter (December 2008) 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 sighted the Complaints Log and noted that all customer complaints over the audit period were resolved within 15 business days.	5
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	NR	N/A	The OIC 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)
			considered by a Local Government Council within 5 business days after the first ordinary Council meeting following the 15 business day period.				
12	N/A	Schedule 3 Clause 3.2(b)	The licensee must provide appropriately trained staff to respond to complaints.	NR	5	Most complaints received by the OIC are minor operational complaints with regard to irrigation and these are usually immediately resolved by the Waterman on duty.	5
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	The OIC 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	The OIC's Complaints Log was sighted. Complaints are recorded in the OIC's Complaints Log with a unique complaint number. Audit confirmed that the nature and outcome of complaints are included in the OIC's Complaints Log.	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 OIC's Customer Service Charter (December 2008) outlines the process in regards to customer complaints. Audit reviewed the Charter and noted that the Charter stipulates that if the dispute is not resolved within 15 days, the customer may refer the matter to Department of Water.	4

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>Schedule 3, clause 3.3 of the licence provides that a customer may refer a dispute to the Department of Water at any time. Further, if a dispute has not been resolved within 15 business days, a licensee must inform the customer of the option of referring their complaint to the Department of Water (Schedule 3, clause 3.4).</p> <p>The auditor was advised that this matter was brought to OIC's attention by the Secretariat on 26 October 2012 in relation to the review of OIC's Customer Service Charter.</p>	
16	N/A	Schedule 3 Clause 3.10	The licensee must inform the customer of the option to refer a disputed complaint to the Department of Water unless the complaint is a matter that relates to section 3.22 of the <i>Local Government Act 1995</i> .	NR	N/A	The OIC is not a Local Government Agency so this is not applicable.	N/A
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 the OIC's General Manager 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 the OIC's General Manager 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	2	4	The revised OIC's Customer Service Charter (December 2008) was approved by the Authority on 8 January 2009.	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)
			set out in Schedule 3.				
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	<p>The audit confirmed that a copy of the OIC's Customer Service Charter is prominently displayed at the OIC's office reception as well as made available on the OIC's web page.</p> <p>The audit confirmed with the OIC's General Manager that a copy of the Charter is also provided upon request and at no charge to customers.</p> <p>However, the OIC's General Manager advised that the last time a copy of the Charter was mailed to each customer was on 18th November 2008. This is a non-compliance with the licence requirement to send a current copy, or approved summary document, to all customers at least once in every three year period. Audit was advised that the Charter is under currently under review and is to be submitted to the Authority for review and approval by 8 January 2013.</p> <p>Furthermore, the audit reviewed the Checklist of Regular Tasks and Compliance Issues and noted that the requirement to send a copy of the Charter to all customers at least once in every three year period is not included in the schedule of events.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> a) Ensure that a current copy of the Customer Service Charter, or a summary document approved by the Authority, is sent to all customers at least once in every three year period or as agreed with the Authority. b) Update the Checklist of Regular Tasks and Compliance 	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>Issues to include this requirement in the schedule of events.</p> <p><i>(Post Audit Implementation Plan item 1.3)</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 November 2006. The OIC submitted the first draft of its Charter to the Authority for approval on 10 November 2008 and the final version of its charter on 10 December 2008. The revised charter was approved by the Authority on 8 January 2009.</p> <p>OIC will need to undertake the next review and submit the reviewed charter to the Authority for approval by 8 January 2014 (the OIC's Charter review period extended by the Authority).</p> <p>The auditor was advised that OIC submitted a reviewed/amended charter to the Authority for its approval on 11 October 2012. The Secretariat provided feedback to OIC regarding the reviewed/amended charter and is currently awaiting OIC's response.</p> <p>The audit reviewed the Checklist of Regular Tasks and Compliance Issues and noted that the Customer Service Charter review due date is not included in the schedule of events.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Update the Checklist of Regular Tasks and Compliance Issues to include the next Customer Service Charter 	4

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)
						review due date to ensure regulatory timeframes are met. <i>(Post Audit Implementation Plan item 1.4)</i>	
22	N/A	Schedule 3 Clause 2.7	The licensee must provide its services consistent with its Customer Service Charter.	2	4	The OIC's Charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to the OIC's customers. The audit confirmed that the OIC provides its services consistent with its Customer Service Charter, except for the Charter requirement to publish newsletters every six months. According to the OIC website, the latest newsletter appears to have been published in 2008. Recommendation: <ul style="list-style-type: none"> Resume publishing newsletters every six months, in order to comply with the current approved Customer Service Charter, <i>(Post Audit Implementation Plan item 1.5)</i>	2
23	N/A	Clause 8	The licensee must establish customer consultation processes as set out in Schedule 3.	NR	4	The audit confirmed with the OIC's General Manager that an adequate customer consultation process has been established.	5
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,	NR	4	No Customer Council has been established by OIC. However, the OIC holds regular meetings with customers by way of annual meetings in accordance with the Articles of the Association and regular grower meetings in an irrigation season to provide information on irrigation projects and	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)
			concerning the licensed activities.			<p>initiatives. The OIC advise other information to growers by way of newspaper articles or advertisements, mail/fax and via the website. The OIC also carries out annual customer surveys seeking customer input and opinions on general and specific aspects of the OIC's service delivery.</p> <p>The audit noted that the current approved OIC Charter states that the OIC should publish newsletters every six months but according to the OIC website, the latest newsletter appears to have been published in 2008. The OIC has not published newsletters or established a public forum during the audit period and is therefore not compliant with this licence condition.</p> <p>Furthermore, the previous audit found that no record of meetings held with customers was maintained. Although, the OIC Meeting Register was subsequently created in November 2009 to register official meetings at the OIC involving OIC customers, the register has not been updated since March 2010.</p> <p>Recommendations:</p> <p>a) Resume publishing newsletters every six months, in accordance with the current approved Customer Service Charter, or establish other forums for consultation to enable community involvement in issues concerning the licensed activities.</p> <p>b) Maintain a record of meetings held with customers.</p> <p><i>(Post Audit Implementation Plan item 1.6)</i></p>	

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)
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	The OIC's Customer Service Charter outlines the customer consultation process and customer contact. The Charter was approved by the Authority on 8 January 2009.	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 the OIC's General Manager 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 conditions, tariffs and scheme operation.	NR	4	<p>The OIC holds an Annual General Meeting (AGM) every year and also calls additional meetings when required. The audit sighted minutes from 2009, 2010 and 2011 AGM's.</p> <p>The OIC's irrigation season runs from 1 January through to 31 December. Unlike other irrigation areas, the wet and dry seasons are the factors that define when to irrigate, when not to irrigate and when maintenance can be planned and conducted on the system. Therefore, season opening and closing conditions are no longer discussed at the AGM. However, this is still a non-compliance with the current licence condition.</p> <p>Furthermore, the audit sighted the AGM Agenda of a meeting held on 30th November 2011 and noted that the Agenda does not include tariffs and scheme operation.</p> <p>The OIC publishes details of rates and charges in a letter</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>attached to the new financial year invoices and on its website.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Ensure that the AGM Agenda includes items of 'season opening and closing conditions', 'tariffs' and 'scheme operation'. <p><i>(Post Audit Implementation Plan item 1.7)</i></p>	
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	There have been no major changes to the scheme in the audit period.	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	The OIC is not a Local Government Agency so this is 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 the OIC's General Manager 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	NR	4	The audit confirmed with the OIC's General Manager that no agreements that may exclude, modify or restrict the terms of	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)
			the specified information.			the licence have been entered into over the audit period.	
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 the OIC's General Manager that during the audit period, there were no such directions received from the Authority.	N/R
33 to 40	N/A	Clause 9	Memorandum of Understanding	2	N/A	Clause 9 is not applicable.	N/A
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 the OIC prepares a comprehensive Annual Report, which is independently audited by a certified auditor. The audit sighted the OIC's Annual Report for the year ended 30 th 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	The previous Operational Audit covered the period 1 st June 2007 to 31 st May 2009 inclusive. The previous Audit Report – OIC Water Licence Operational Audit dated 18 November 2009 confirms the compliance with the Authority's Standard Audit Guidelines. Also the OIC's Audit Plan – Water Services Operating Licence – Operational Audit and Asset Management System Review (July 2012) stipulates compliance requirements on auditors.	5
43	Water Services Licensing Act	Clause 17.1	The licensee must provide for and notify the Authority of its asset management system	2	5	The licence commencement date was 29 November 2002. The Authority was notified of the OIC's asset management system back then.	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)
	Section 36		within 2 business days from the licence commencement date unless notified in writing by the Authority.				
44	Water Services Licensing Act Section 36	Clause 17.2	The licensee must notify the Authority of any changes to its asset management system within 10 business days from the date of change.	2	5	The audit confirmed with the OIC's General Manager that during the audit period, there were no significant changes to the asset management system.	N/R
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	The previous Asset Management System Review covered the period 1 st June 2007 to 31 st May 2009 inclusive. The previous Audit Report – OIC Water Licence Asset Management Review dated 18 November 2009 confirms the compliance with the Authority's Standard Audit Guidelines. Also the OIC's Audit Plan – Water Services Operating Licence – Operational Audit and Asset Management System Review (July 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	2	4	The audit confirmed with the OIC's General Manager that during the audit period, the OIC wasn't under external administration and there was no significant change in its financial or technical circumstances.	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)
			10 business days.				
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, the OIC provided updates of the Post-Audit Implementation Plan in respect of the 2009 performance audit and asset management system review. The OIC provided its last update to the Authority in April 2012. As all outstanding items had been completed, no further updates were required.	5
48	N/A	Clause 21.2	The licensee must comply with the information reporting requirements as set out in Schedule 5.	2	4	In accordance with the Water Compliance Reporting Manual May 2011, the OIC is required to submit to the Authority: <ul style="list-style-type: none"> Annual performance reports no later than 31 October for the reporting year ending 30 June; and Annual compliance reports by 31 August for the year ending 30 June. The audit reviewed the OIC's Compliance and Performance Reports for the years ending 30 June 2009, 2010, 2011 and 2012 and noted the following exceptions: <ul style="list-style-type: none"> Compliance Report for the year ended 30 June 2010 was submitted after the due date; and The OIC could not provide any evidence that the Performance Reports for the years ended 30 June 2009, 2010 and 2011 were submitted to the Authority by the due dates. The audit reviewed the Checklist of Regular Tasks and Compliance Issues and noted that it includes the annual Performance Report submission date. However, the annual	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>Compliance Report submission date was not included in the schedule.</p> <p>Recommendations:</p> <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 OIC and the Authority retained.</p> <p>b) Update the Checklist of Regular Tasks and Compliance Issues to include the annual Compliance Report submission date to ensure regulatory timeframes are met.</p> <p><i>(Post Audit Implementation Plan item 1.8)</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 the OIC's General Manager 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	The conditions for connection are set out in the OIC's Customer Service Charter. The Charter is prominently displayed at the OIC's office reception and a copy of the Charter is also provided upon request and at no charge to people enquiring or applying for connection. The current approved Charter is also published on the OIC website.	5
-	N/A	Schedule 6	The licensee must ensure that its services are available for	NR	4	The audit confirmed with the OIC's General Manager that the services are available for connection on any land in the	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)
		Clause 2.2	connection on any land in the Operating Area subject to compliance with the OIC's conditions.			Operating Area subject to compliance with the OIC's conditions. The conditions for connection are set out in the OIC's Customer Service Charter.	
-	N/A	Schedule 6 Clause 2.3	The licensee may with the written agreement of the property owner discontinue a service where it is not commercially viable.	NR	4	The audit confirmed with the OIC's General Manager that over the audit period there was no discontinuation of the service due to the service not being commercially viable.	N/R

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 OIC has complied with its Water Services Operating Licence performance and quality standards and obligations during the audit period 1st June 2009 to 31st May 2012 with the exception of the following non-compliances as follows:

- Not complying with the licence performance of providing all customers with an annual advice that the water is non-potable;
- Not providing a current copy of the Customer Service Charter, or a summary document approved by the Authority, to all customers at least once in every three year period;
- Not providing services in accordance with the current Customer Service Charter by not publishing a newsletter every six months;
- Not complying with a minimum requirement for customer consultation due to failing to publish a newsletter or to establish other forums for community consultation;
- Not including items of 'season opening and closing conditions', 'tariffs' and 'scheme operation' on the Agenda of the Annual General Meeting of customers; and
- Not providing the 2009/10 Compliance Report to the Authority within the required timeframes. Also, the OIC could not provide any evidence that the Performance Reports for 2008/09 to 2010/11 were submitted to the Authority by the due date.

The audit reviewed the action taken on the previous audit recommendations in the audit report dated November 2009 and confirmed that out of three previous recommendations, two had been completed and one has been partially completed. The partially completed issue is:

- Not maintaining a record of meetings held with customers.

The audit recommended that the OIC:

- Ensure that all customers are provided with annual notification that the water supplied is not suitable for drinking e.g. as part of the annual rates and charges notice mail out;
- Ensure that all customers are provided with a current copy of the Customer Service Charter, or a summary document approved by the Authority, at least once in every three year period;
- Resume publishing newsletters every six months, in accordance with the current approved Customer Service Charter, or establish other forums for consultation to enable community involvement in issues concerning the licensed activities;
- Maintain a record of meetings held with customers;
- Ensure that the Annual General Meeting Agenda includes items for 'season opening and closing conditions', 'tariffs' and 'scheme operation';

- Ensure that Performance and Compliance Reports are submitted to the Authority within the required timeframes and copies of reports and correspondence are retained; and
- Update the Checklist of Regular Tasks and Compliance Issues to include all compliance tasks and reporting requirements.

The audit confirmed that the OIC has complied with its information reporting obligations for the period 1st July 2008 to 30th June 2011 apart from the exceptions noted above.

The audit made recommendations to the OIC to improve the strength of its internal controls over its 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 the OIC.

Ord Irrigation
Cooperative Limited

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

Asset Management
System Review –
Detailed Report

Final Report

November 2012

4. Asset Management System Review

The effectiveness of the OIC'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				A				1	
4. Environmental analysis				A				1	
5. Asset operations			B				2		
6. Asset maintenance		C				3			
7. Asset management information system	D				4				
8. Risk management			B				2		
9. Contingency planning			B				2		
10. Financial planning				A			2		
11. Capital expenditure planning				A			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 November 2009 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	Asset Creation/ Acquisition Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	Policies and procedures covering the creation and acquisition of assets are not documented.	C, 2	A policy must be formulated, documented and approved for asset creation/ acquisition. Procedures for the asset creation/ acquisition must be documented.	<i>Develop an Asset Creation policy and procedures document for Board approval.</i> CEO 30 March 2010	An Asset Creation Policy has been developed and approved by the Board.	COMPLETED
2.2	Asset Disposal Under-utilised and under-performing assets are identified as part of a regular systematic review process. Disposal alternatives are evaluated. There is a replacement strategy for assets.	Procedures to identify under-performing assets, disposal of assets and replacement strategy procedures are not documented.	C, 2	A policy must be formulated, documented and approved for asset disposal. Procedures for asset disposal must be documented.	<i>Develop an asset Disposal policy and procedures document for Board approval.</i> CEO 30 March 2010	An Asset Disposal Policy has been developed and approved by the Board.	COMPLETED
2.3	Environmental Analysis Performance standards (availability of service, capacity,	OIC do not have any customer service levels targets to help monitor OIC's performance.	A, 3	Customer service level targets should be developed, measured and monitored.	<i>Develop customer service benchmarks and test them annually through a customer survey.</i> CEO	Customer surveys were undertaken in 2009, 2010 & 2011. Benchmarks and Performance Indicators are	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	continuity, emergency response, etc.) are measured and achieved.				31 October 2010	incorporated within Section 5 of the Asset Management Plan.	
2.4	Financial Planning The financial plan states the financial objectives and strategies and actions to achieve the objectives.	Financial plan not comprehensive and do not have clear financial objectives and strategies.	B, 3	Finance plan should include clear financial objectives and strategies and the action plan to achieve objectives.	<i>Develop a 5-year financial plan to be updated annually for Board approval.</i> CEO 30 June 2010	A 5-year financial plan to 2016/17 has been developed and approved by the Board.	COMPLETED
2.5	Capital Expenditure Plan There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	Capital expenditure plan not prepared for the audit period.	B, 3	Capital expenditure plan be prepared and this plan should be approved by the Board.	<i>Develop a 5-year capital expenditure plan, to be updated annually for Board approval.</i> CEO 30 June 2010	A 5-year capital expenditure to 2016/17 plan has been developed and approved by the Board.	COMPLETED

4.3 Review Results and Recommendations

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating ³	B	Performance Rating ⁴	2
1	ASSET PLANNING				
1.1	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	The Asset Management Plan developed in 2008 has considered the needs of stakeholders and the various licencing requirements. Both the 5 year Business Plan and 5 year Financial Plan indicate a planning process that is designed to meet the needs of all stakeholders.			
1.2	Service levels are defined.	Service levels are clearly defined in the Asset Management Plan. 5 year Business Plan and the Customer Service Charter.			
1.3	Non-asset options (e.g. demand management) are considered.	The entire scheme is demand based.			
1.4	Lifecycle costs of owning and operating assets are assessed.	The costs of owning and operating assets are covered in the 5-year Financial Plan and Capital Expenditure Plan.			
1.5	Funding options are evaluated.	Operational costs are offset against sales and government funding (government subsidies cease in 2011/12 by which time the OIC is budgeted to be self-funding).			
1.6	Costs are justified and cost drivers identified.	The 5 year Financial Plan is based on detailed cost estimates for operational and capital expenditure. Cost drivers are identified and commented upon in the OIC's Annual Report each year.			
1.7	Likelihood and consequences of asset failure are predicted.	The Disaster Management Policy outlines the likelihood and consequences of possible failures and remedial action.			
1.8	Plans are regularly reviewed and updated.	<p>The AMP has not been reviewed since 2008 apart from financial projections being extended to 2016/17. The Plan specifies review at five yearly intervals so the next review is due by August 2013. It is considered that the Plan should be reviewed on an annual basis and condition assessments of assets, financial projections, etc. updated with major reviews and re-issue of the Plan every five years.</p> <p>Recommendation:</p> <p>a) Implement a procedure to review/update the Asset Management Plan on an annual basis or if major changes occur, and full revision and re-issue every 5 years. The asset condition assessment, maintenance</p>			

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

⁴ 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)			
		<p>policies, capital expenditure plans and financial plans should be revised annually.</p> <p>b) Document the review process in the Asset Management Plan, including information such as responsibility, what is reviewed and how frequently.</p> <p><i>(Post Audit Implementation Plan item 2.7)</i></p>			
2	ASSET CREATION/ ACQUISITION	Process Rating	A	Performance Rating	1
2.1	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	There has been no expansion of the scheme, and no new assets, only the replacement or updating of existing assets. The Asset Creation policy sets out approval levels for expenditure. Adequate evaluations of proposed new asset purchases over \$10,000 would need to be provided to the Board.			
2.2	Evaluations include all life-cycle costs.	There has been no expansion of the scheme, and no new assets, only the replacement or updating of existing assets.			
2.3	Projects reflect sound engineering and business decisions.	There has been no expansion of the scheme, and no new assets, only the replacement or updating of existing assets. The Asset Creation policy sets out approval levels for expenditure. Adequate evaluations of proposed new asset purchases over \$10,000 would need to be provided to the Board.			
2.4	Commissioning tests are documented and completed.	There has been no expansion of the scheme, and no new assets, only the replacement or updating of existing assets. Commissioning tests would be part of any new acquisition of plant and equipment.			
2.5	Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	There is a Risk Management Policy, a Disaster Management Plan and an Environmental Management policy that consider legal, environmental and safety obligations.			
3	ASSET DISPOSAL	Process Rating	A	Performance Rating	1
3.1	Under-utilised and under-performing assets are identified as part of a regular systematic review process.	The scheme operates smoothly and all assets are utilised and none have been flagged for disposal. An Asset Disposal Policy has been developed and approved by the Board.			
3.2	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	The scheme operates smoothly and all assets are utilised and none have been flagged for disposal.			
3.3	Disposal alternatives are evaluated.	The scheme operates smoothly and all assets are utilised and none have been flagged for disposal.			
3.4	There is a replacement strategy for	Assets are replaced at the end of their useful life. As new technologies become available, they are evaluated against			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	assets.	existing assets for their suitability to upgrading.			
4	ENVIRONMENTAL ANALYSIS	Process Rating	A	Performance Rating	1
4.1	Opportunities and threats in the system environment are assessed.	There is a detailed Environmental Management policy and procedure that addresses possible opportunities and threats.			
4.2	Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved.	<p>Performance reporting to the Authority over the audit period indicates that performance standards are being achieved except for the OIC does not provide its customers with annual notification that the water supplied is not suitable for drinking. <i>(Refer Post-Audit Implementation Plan item 1.1)</i></p> <p>The quality of the water is regularly tested by an independent laboratory. The water quality tests show the water is well within the required TDS levels. Supply times are assessed via regular user surveys.</p>			
4.3	Compliance with statutory and regulatory requirements.	There is a detailed Environmental Management policy and procedure that outlines compliance with statutory and regulatory requirements.			
4.4	Achievement of customer service levels.	General user responses in the surveys conducted by the OIC indicate satisfaction with the services.			
5	ASSET OPERATIONS	Process Rating	B	Performance Rating	2
5.1	Operational policies and procedures are documented and linked to service levels required.	<p>There are comprehensive Operations Policies and Procedures documents, however, some policies and procedures have not been reviewed since 2004 and some information is out-dated. The Waterman's Manual has not been reviewed since 2007.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Review and update the Operations Policies and Procedures documents and Waterman's Manual to reflect current information. <p><i>(Post Audit Implementation Plan item 2.1)</i></p>			
5.2	Risk management is applied to prioritise operations tasks.	Operating risks are broadly considered in the Asset Management Plan as part of the Operations Daily Action Plan.			
5.3	Assets are documented in an Asset Register including asset type, location,	There is a Microsoft Access based Asset Register, however it is difficult to use and under-utilised as a result. Management is in the process of gaining approvals to move to a more user friendly system.			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	material, plans of components, and an assessment of assets' physical/structural condition and accounting data.	<p>Recommendation:</p> <ul style="list-style-type: none"> Update or replace the Asset Management Information System to include accurate asset descriptions, locations and condition assessment; with adequate system documentation and useful reporting capabilities. <p><i>(Post Audit Implementation Plan item 2.2)</i></p>			
5.4	Operational costs are measured and monitored.	Operational costs are included in the 5 year Financial Plan and monitored via reports to the Board during the year.			
5.5	Staff receive training commensurate with their responsibilities.	<p>The AMP outlines the current human resources required to support the plan as follows:</p> <ul style="list-style-type: none"> Board Chief Executive Officer Operations Manager Waterman <p>The broad responsibilities and skills required are stated in the AMP but there is no record of training versus skill levels. Most training appears to be on-the-job instruction.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Review the training needs of staff on an annual basis and maintain a record of training needs and training delivered. <p><i>(Post Audit Implementation Plan item 2.3)</i></p>			
6	ASSET MAINTENANCE	Process Rating	C	Performance Rating	3
6.1	Maintenance policies and procedures are documented and linked to service levels required.	<p>There is only limited documentation on maintenance comprising a Maintenance Schedule in the Asset Management Plan but there are no documented Maintenance Policies and Procedures and no overall annual maintenance chart showing maintenance planned and completed.</p> <p>Recommendations:</p> <ol style="list-style-type: none"> Document a Maintenance Policy and Procedure that is based on the suggested maintenance schedules in the AMP (if still relevant) and a current risk assessment. Create a Maintenance Schedule outlining tasks, timing and importance with provision to record maintenance tasks completed in each six months. 			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<i>(Post Audit Implementation Plan item 2.4)</i>			
6.2	Regular inspections are undertaken of asset performance and condition.	<p>Inspections are carried out on an ad-hoc basis by watermen during their normal duties. There is no process for annual review and assessment of asset condition and no system to record the condition assessment.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> ▪ Implement a procedure for annual review of the condition of all assets for the scheme and to record this information in the Asset Management Information System. <p><i>(Post Audit Implementation Plan item 2.5)</i></p>			
6.3	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	There is no maintenance plan or schedule for the overall system. Most maintenance of channels and drains appears to be carried out via current staff knowledge. Mechanical and electronic maintenance is usually carried out by contractors who hold the relevant operational manuals. Refer section 6.1 above.			
6.4	Failures are analysed and operational/maintenance plans adjusted where necessary.	There are no maintenance plans. Refer section 6.1 above.			
6.5	Risk management is applied to prioritise maintenance tasks.	Whilst risks may be taken into consideration in the priority applied to maintenance procedures, this is not documented. Refer section 6.1 above.			
6.6	Maintenance costs are measured and monitored.	Maintenance costs are included in the 5 year Financial Plan and monitored via reports to the Board during the year.			
7	ASSET MANAGEMENT INFORMATION SYSTEM	Process Rating	D	Performance Rating	4
7.1	Adequate system documentation for users and IT operators.	<p>There is a comprehensive User Manual. As the AMIS is a Microsoft Access Database and not currently being updated, its use is questionable. It appears very difficult to use.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> • Update or replace the Asset Management Information System to include accurate asset descriptions, locations and condition assessment; with adequate system documentation and useful reporting capabilities. <p><i>(Post Audit Implementation Plan item 2.2)</i></p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
7.2	Input controls include appropriate verification and validation of data entered into the system.	As the AMIS is an Access Database, and not easily operated this cannot be tested. Refer section 7.1.			
7.3	Logical security access controls appear adequate, such as passwords.	All users have discrete passwords.			
7.4	Physical security access controls appear adequate.	Buildings are locked and have monitored alarms when they are not attended.			
7.5	Data backup procedures appear adequate.	Data is backed up every business day with weekly off-site backup.			
7.6	Key computations related to licensee performance reporting are materially accurate.	As the AMIS is an Access Database, and not easily operated this cannot be tested. Refer section 7.1.			
7.7	Management reports appear adequate for the licensee to monitor licence obligations.	As the AMIS is an Access Database, and not easily operated this cannot be tested. Refer section 7.1.			
8	RISK MANAGEMENT	Process Rating	B	Performance Rating	2
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>A Risk Management Policy (2007) and a Risk Management Form exist but they do not appear to have been implemented in respect of a risk assessment of the failure of individual asset components or the risk of non-compliance with the licence obligations. There have been no additional risk management forms completed in the last 3 years. The general risks which are constantly updated and reviewed as part of OIC's risk management plans include low water availability, drought, severe storm damage, impact by groundwater, drain water quality, infrastructure failure, power failure etc.</p> <p>There is no Risk Register to summarise the risks in terms of likelihood, consequences, controls, further risk treatment actions required.</p> <p>Recommendations:</p> <p>a) The Risk Management Policy should be implemented to assess the risk of failure of individual asset components and other threats, such as non-compliance with the licence obligations. This would require the Risk Management Forms to be completed and the results summarised in a Risk Register.</p> <p>b) The Risk Register with risk treatment plans should be provided at least annually to the Board to review as per the</p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<p style="color: red;">Risk Management Policy and to enable monitoring of risk treatment actions.</p> <p style="color: red;">c) The risk assessment should be considered when updating the Asset Management Plan. (Post Audit Implementation Plan item 2.6)</p>			
8.2	Risks are documented in a risk register and treatment plans are actioned and monitored.	Risks are not documented in a Risk Register. Refer section 8.1.			
8.3	The probability and consequences of asset failure are regularly assessed.	The probability and consequences of asset failure have not been assessed by completion of the Risk Register. Refer section 8.1.			
9	CONTINGENCY PLANNING	Process Rating	B	Performance Rating	2
9.1	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	<p>The AMP contains overviews of contingency plans for different scenarios.</p> <p>There also exists a Disaster Management Policy that sets out the Board policy for disaster management planning, responsibilities and a list of the contractor resources with contact details and estimated cost for various failures of power supply, channels and drains, etc. The policy is due to be reviewed in June 2013 (every two years).</p> <p>The adequacy of the contingency plans to cover the risks will need to be reviewed when the Risk Register and risk treatment plans are documented.</p> <p>It is considered that the Disaster Management Policy and contingency plans should be reviewed annually, including any testing considered necessary.</p> <p style="color: red;">Recommendation: Review the Disaster Management Policy and contingency plans on an annual basis, including any changes in the risk assessments and any specific testing considered necessary. (Post Audit Implementation Plan item 2.7)</p>			
10	FINANCIAL PLANNING	Process Rating	A	Performance Rating	2
10.1	The financial plan states the financial objectives and strategies and actions to achieve the objectives.	<p>The OIC's Strategic Business Plan for 2011-16 outlines the OIC's key goals and strategies to achieve.</p> <p>The OIC's 5 year Financial Plan outlines the financial objectives, strategies and actions to achieve the objectives.</p>			
10.2	The financial plan identifies the source	Operating and capital expenditure of the scheme is covered by asset levies and access rates charges.			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	of funds for capital expenditure and recurrent costs.				
10.3	The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	<p>The OIC's 5 year Financial Plan includes Operating Statements (P&L) until 2016-17. The forecast operating, maintenance and capital costs over the next 5 years are included in the 5 year Financial Plan. However, there are no projected Statements of Financial Position.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> As part of the 5 year Financial Plan, develop projected Statements of Financial Position in order to provide a better analysis of past performance and to assist future planning. <p><i>(Post Audit Implementation Plan 2.8)</i></p>			
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	The 5 year Financial Plan includes revenue predictions until 2016-17. Operating and capital expenditure of the scheme is covered by asset levies and access rates charges.			
10.5	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	The rates collected each year for the scheme cover the average operations and maintenance, administration and capital expenditure requirements.			
10.6	Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.	Variations in actual and budget income and expenses are identified in monthly reports and reviewed by the CEO and the Board.			
11	CAPITAL EXPENDITURE PLANNING	Process Rating	A	Performance Rating	2
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	The 5 year forecast lifecycle asset replacement program is included in the 5 year Financial Plan.			
11.2	The plan provides reasons for capital expenditure and timing of expenditure.	The analysis assumes that assets will be replaced at the end of their standard economic life.			
11.3	The capital expenditure plan is consistent with the asset life and	The analysis assumes that assets will be replaced at the end of their standard economic life. In reality some assets will fail earlier than the standard life and some assets will remain useful beyond the standard replacement life.			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	condition identified in the asset management plan.	There is an Access based Asset Register, however it is difficult to use and under-utilised as a result. Management is in the process of gaining approvals to move to a more user friendly system. <i>(Post Audit Implementation Plan item 2.2)</i>			
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	A process of review is in place for the yearly update of the capital expenditure plans.			
12	REVIEW OF ASSET MANAGEMENT SYSTEM	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 AMP has not been reviewed since 2008 apart from financial projections being extended to 2016/17. The Plan specifies review at five yearly intervals so the next review is due by August 2013. It is considered that the Plan should be reviewed on an annual basis and condition assessments of assets, financial projections, etc. updated with major reviews and re-issue of the Plan every five years.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> a) Implement a procedure to review/update the Asset Management Plan on an annual basis or if major changes occur, and full revision and re-issue every 5 years. The asset condition assessment, maintenance policies, capital expenditure plans and financial plans should be revised annually. b) Document the review process in the Asset Management Plan, including information such as responsibility, what is reviewed and how frequently. c) Update the Plan Review section of the AMP accordingly, including the requirement to notify the Authority of any (significant) changes to the asset management system within 10 business days. d) Keep track of all reviews of the AMP in a document history section. <p><i>(Post Audit Implementation Plan item 2.9)</i></p>			
12.2	Independent reviews (e.g. internal audit) are performed of the asset management system.	<p>Due to a major staffing change earlier this year, it is unclear whether internal audits were carried out. It is currently planned to create a new AMIS.</p> <p>According to section 36(1) of the <i>Water Services Licensing Act 1995</i> it is a condition of every licence that the licensee is to not less than once in every period of 24 months (or such longer period as the Authority allows) calculated from the commencement of this section, provide the Authority with a report by an independent expert acceptable to the Authority as to the effectiveness of the system. The Authority decided after the last audit/review to vary the audit/review period from the standard 24 months to 36 months. In accordance with this variation, an independent review is performed every 3 years.</p>			

4.4 Conclusion

The review of the Asset Management System has shown that the system is well-run by competent and experienced staff who are familiar with the requirements of the system and apply these in the day to day operational running of the system.

However, the recording and documentation of the system (plans, policies, procedures and asset management information system) requires improvement, particularly in respect of recording details of the assets in an Asset Management Information System (AMIS) and documenting or updating policies and procedures.

The review confirmed that all five recommendations in the previous review report dated November 2009 have been completed.

The following new issues were noted:

- The AMIS is very out-of-date and requires substantial updating to make it useful, including updating the condition of assets on an annual basis;
- Operational policies and procedures have not been reviewed and updated since 2004 for some areas;
- There are no documented maintenance policies and procedures or a record of planned and completed maintenance. Maintenance appears to be done according to staff knowledge and is not recorded;
- A Risk Management Policy exists but has not been used to develop a risk register and treatment plans;
- There are no records of staff training needs and of training undertaken;
- The Asset Management Plan was last reviewed in 2008 and to be reviewed every five years. However, the audit considers an annual review is necessary to update the condition of the assets, risk assessment and financial projections with major revisions every five years.

The review recommended that the OIC:

- Reviews and updates the Operations policies and procedures;
- Updates or replaces the AMIS;
- Reviews the training needs of staff annually and maintains training records;
- Documents a maintenance policy and procedure including recording of planned and actual maintenance;
- Assesses the condition of assets on an annual basis and updates the AMIS;
- Implements the risk management policy including the documentation of a risk register and treatment plans;
- Reviews the contingency plans annually rather than every two years and arranges testing where necessary;
- Includes the projected financial position in the 5 yearly financial plan in addition to the income and expenditure forecasts; and
- Reviews the Asset Management Plan on an annual basis with major revisions every five years as planned.

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 the OIC.

Appendix A: Post Audit Implementation Plan

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
1	Operational Audit				
1.1 (items 5 and 6)	<p>Operational Audit and Asset Management System Review</p> <p>The audit reviewed the Checklist of Regular Tasks and Compliance Issues and noted that the Operational Audit and Asset Management System Review dates are not included in the schedule of events.</p>	Low	Update the Checklist of Regular Tasks and Compliance Issues to include the next Operational Audit and Asset Management System Review dates to ensure regulatory timeframes are met.	Agreed - checklist to be updated.	General Manager - 1/10/2012
1.2 (items 2 and 7)	<p>Performance Standards</p> <p>The audit reviewed the OIC's Performance Reports for the years ended 30 June 2009, 2010 and 2011, interviewed the OIC's General Manager and reviewed supporting documentation. This confirmed that the OIC complied with all performance standards except for the following:</p> <ul style="list-style-type: none"> The OIC does not provide its customers with annual notification that the water supplied is not suitable for drinking. The audit reviewed the Checklist of Regular Tasks and Compliance Issues and noted that the requirement of annual notification of non-potable water is not included in the schedule of events. 	Medium	<p>a) Provide all customers with annual notification that the water supplied is not suitable for drinking e.g. as part of the annual rates and charges notice mail out.</p> <p>b) Update the Checklist of Regular Tasks and Compliance Issues to include the requirement for annual notification to customers of non-potable water.</p>	<p>a) Agreed – All monthly invoices generate a notice on the bottom advising non-potable water is not suitable for drinking and that the Customer Charter is available online and at the office at no charge.</p> <p>b) Agreed – checklist to be updated.</p>	<p>a) Completed</p> <p>b) General Manager - 1/10/2012</p>
1.3	Customer Service Charter – Availability	Medium	a) Ensure that a current copy of the Customer Service Charter, or a	a) Agreed – the OIC is currently reviewing	a) General Manager -

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
(item 20)	<p>The audit confirmed that a copy of the OIC's Customer Service Charter is prominently displayed at the OIC's office reception as well as made available on the OIC's web page.</p> <p>The audit confirmed with the OIC's General Manager that a copy of the Charter is also provided upon request and at no charge to customers.</p> <p>However, the OIC's General Manager advised that the last time a copy of the Charter was mailed to each customer was on 18th November 2008. This is a non-compliance with the licence requirement to send a current copy, or approved summary document, to all customers at least once in every three year period. Audit was advised that the Charter is currently under review and is to be submitted to the Authority for review and approval by 8 January 2013.</p> <p>Furthermore, the audit reviewed the Checklist of Regular Tasks and Compliance Issues and noted that the requirement to send a copy of the Charter to all customers at least once in every three year period is not included in the schedule of events.</p>		<p>summary document approved by the Authority, is sent to all customers at least once in every three year period or as agreed with the Authority.</p> <p>b) Update the Checklist of Regular Tasks and Compliance Issues to include this requirement in the schedule of events.</p>	<p>the Customer Charter and once approved we will send to all customers and make it available at AGMs</p> <p>b) Agreed - checklist to be updated to include that every 3 years the Customer Charter is sent to all customers.</p>	<p>1/12/2012</p> <p>b) General Manager - 1/12/2012</p>
1.4 (item 21)	<p>Customer Service Charter – Review</p> <p>The OIC will need to undertake the next review and submit the reviewed charter to the Authority for approval by 8 January 2014 (the OIC's charter review period extended by the Authority).</p>	Low	Update the Checklist of Regular Tasks and Compliance Issues to include the next Customer Service Charter review due date to ensure regulatory timeframes are met.	Agreed – checklist to be updated.	General Manager - 1/10/2012

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	The audit reviewed the Checklist of Regular Tasks and Compliance Issues and noted that the Customer Service Charter review due date is not included in the schedule of events.				
1.5 (item 22)	<p>Customer Service Charter – Compliance with the Charter</p> <p>The OIC's Charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to the OIC's customers.</p> <p>The audit confirmed that OIC provides its services consistent with its Customer Service Charter, except for the Charter requirement to publish newsletters every six months. According to the OIC website, the latest newsletter appears to have been published in 2008.</p>	Medium	Resume publishing newsletters every six months, in order to comply with the current approved Customer Service Charter,	Agreed – the OIC is currently publishing a newsletter; automatic reminders will be set to ensure that we are compliant.	Completed
1.6 (item 24)	<p>Customer Consultation</p> <p>No Customer Council has been established by OIC. However, OIC holds regular meetings with customers by way of annual meetings in accordance with the Articles of the Association and regular grower meetings in an irrigation season to provide information on irrigation projects and initiatives. OIC advise other information to growers by way of newspaper articles or advertisements, mail/fax and via the website. OIC also carries out annual customer surveys seeking customer input and opinions on general and specific aspects of the</p>	Medium	<p>a) Resume publishing newsletters every six months, in accordance with the current approved Customer Service Charter, or establish other forums for consultation to enable community involvement in issues concerning the licensed activities.</p> <p>b) Maintain a record of meetings held with customers.</p>	<p>a) Agreed – the OIC will continue to publish the newsletter and will hold some more regular meetings.</p> <p>b) Agreed – Procedures will be updated to ensure compliance in maintaining the register.</p>	<p>a) General Manager - 1/12/2012</p> <p>b) General Manager - 1/12/2012</p>

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	<p>OIC's service delivery.</p> <p>The audit noted that the current approved OIC Charter states that OIC should publish newsletters every six months but according to the OIC website, the latest newsletter appears to have been published in 2008. OIC has not published newsletters or established a public forum during the audit period and is therefore not compliant with this licence condition.</p> <p>Furthermore, the previous audit found that no record of meetings held with customers was maintained. Although, the OIC Meeting Register was subsequently created in November 2009 to register official meetings at the OIC involving OIC customers, the register has not been updated since March 2010.</p>				
1.7 (item 27)	<p>Customer Consultation – Irrigation Services</p> <p>OIC holds Annual General Meeting (AGM) every year and also calls additional meetings when required. Audit sighted minutes from 2009, 2010 and 2011 AGM.</p> <p>OIC's irrigation season runs from 1 January through to 31 December. Unlike other irrigation areas, the wet and dry seasons are the factors that define when to irrigate, when not to irrigate and when maintenance can be planned and conducted on the system. Therefore, season opening and closing conditions are no longer discussed at the AGM. However, this is still a non-compliance with</p>	Medium	Ensure that the AGM Agenda includes items of 'season opening and closing conditions', 'tariffs' and 'scheme operation'.	Agreed – Agenda Template has been updated to include Season opening and closing conditions, Tariffs and Scheme Operation under General Business.	Completed

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	<p>the current licence condition.</p> <p>Furthermore, audit sighted the AGM Agenda of a meeting held on 30th November 2011 and noted that agenda does not include tariffs and scheme operation.</p> <p>OIC publishes details of rates and charges in a letter attached to the new financial year invoices and on its website.</p>				
1.8 (item 48)	<p>Provision of Information to the Authority</p> <p>In accordance with the Water Compliance Reporting Manual May 2011, the OIC is required to submit to the Authority:</p> <ul style="list-style-type: none"> • Annual performance reports no later than 31 October for the reporting year ending 30 June; and • Annual compliance reports by 31 August for the year ending 30 June. <p>The audit reviewed the OIC's Compliance and Performance Reports for the years ending 30 June 2009, 2010, 2011 and 2012 and noted the following exceptions:</p> <ul style="list-style-type: none"> • Compliance Report for the year ended 30 June 2010 was submitted after the due date; and • The OIC could not provide any evidence that the Performance Reports for the years ended 30 June 2009, 2010 and 2011 were submitted to the Authority by the due date. 	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 OIC and the Authority are retained.</p> <p>b) Update the Checklist of Regular Tasks and Compliance Issues to include the annual Compliance Report submission date to ensure regulatory timeframes are met.</p>	<p>a) Agreed – noted for future reporting.</p> <p>b) Agreed – checklist will be updated.</p>	<p>a) Completed</p> <p>b) General Manager – 1/10/2012</p>

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	The audit reviewed the Checklist of Regular Tasks and Compliance Issues and noted that it includes the annual Performance Report submission date. However, the annual Compliance Report submission date was not included in the schedule.				
2	Asset Management System Review				
2.1	<p>Asset Operations – Policies and Procedures</p> <p>Operational policies and procedures should be documented and linked to service levels required.</p> <p>There are comprehensive Operations Policies and Procedures documents, however, some policies and procedures have not been reviewed since 2004 and some information is out-dated. The Waterman's Manual has not been reviewed since 2007.</p>	Medium	Review and update the Operations Policies and Procedures documents and Waterman's Manual to reflect current information.	Agreed- Will update the OIC's Policies and Procedures manuals paying particular focus on the Operations side.	General Manager/ Administration Assistant - 1/6/2013
2.2	<p>Asset Operations – Asset Management Information System</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>There is a Microsoft Access based Asset Register, however it is difficult to use and under-utilised as a result. Management is in the process of gaining approvals to move to a more user friendly system.</p>	High	Update or replace the Asset Management Information System to include accurate asset descriptions, locations and condition assessment; with adequate system documentation and useful reporting capabilities.	Agreed – Asset management system to be updated with the new system that fills gaps and improves reporting capacity.	General Manager/ Administration Assistant - 15/9/2012

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
2.3	<p>Asset Operations – Training</p> <p>Staff should receive training commensurate with their responsibilities.</p> <p>The AMP outlines the current human resources required to support the plan as follows:</p> <ul style="list-style-type: none"> ▪ Board ▪ Chief Executive Officer ▪ Operations Manager ▪ Waterman <p>The broad responsibilities and skills required are stated in the AMP but there is no record of training versus skill levels. Most training appears to be on-the-job instruction.</p>	Medium	Review the training needs of staff on an annual basis and maintain a record of training needs and training delivered.	Agreed – will conduct staff reviews, determine training and development requirements and implement a plan to develop staff.	Financial Officer/ General Manager - 1/3/2013
2.4	<p>Asset Maintenance – Policies and Procedures</p> <p>Maintenance policies and procedures should be documented and linked to service levels required.</p> <p>There is only limited documentation on maintenance comprising a Maintenance Schedule in the Asset Management Plan but there are no documented Maintenance Policies and Procedures and no overall annual maintenance chart showing maintenance planned and completed.</p>	Medium	<p>a) Document a Maintenance Policy and Procedure that is based on the suggested maintenance schedules in the AMP (if still relevant) and a current risk assessment.</p> <p>b) Create a Maintenance Schedule outlining tasks, timing and importance with provision to record maintenance tasks completed each six months.</p>	<p>a) Agreed – Will be introduced into the asset management system and implemented shortly after.</p> <p>b) Agreed - will be introduced into a new asset management system.</p>	<p>a) General Manager/ Projects Officer - 1/6/2013</p> <p>b) General Manager/ Projects Officer - 1/6/2013</p>
2.5	<p>Asset Maintenance – Condition Assessment</p> <p>Regular inspections should be undertaken of asset performance and condition.</p>	Medium	Implement a procedure for annual review of the condition of all assets for the scheme and to record this information in the Asset Management	Agreed – Will review all assets annually after the wet season in the asset management system	General Manager/ Projects Officer - 1/6/2013

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	Inspections are carried out on an ad-hoc basis by watermen during their normal duties. There is no process for annual review and assessment of asset condition and no system to record the condition assessment.		Information System.		
2.6	<p>Risk Management</p> <p>Risk management policies and procedures should exist and be applied to minimise internal and external risks associated with the asset management system.</p> <p>A Risk Management Policy (2007) and a Risk Management Form exist but they do not appear to have been implemented in respect of a risk assessment of the failure of individual asset components or the risk of non-compliance with the licence obligations. There have been no additional risk management forms completed in the last 3 years. The general risks which are constantly updated and reviewed as part of OIC's risk management plans include low water availability, drought, severe storm damage, impact by groundwater, drain water quality, infrastructure failure, power failure etc. There is no Risk Register to summarise the risks in terms of likelihood, consequences, controls, further risk treatment actions required.</p>	Medium	<p>a) Implement the Risk Management Policy to assess the risk of failure of individual asset components and other threats, such as non-compliance with the licence obligations. This would require the Risk Management Forms to be completed and the results summarised in a Risk Register.</p> <p>b) Provide the Risk Register with risk treatment plans at least annually to the Board to review as per the Risk Management Policy and to enable monitoring of risk treatment actions.</p> <p>c) Consider the risk assessment when updating the Asset Management Plan.</p>	<p>a) Agreed – We will implement the risk management policy by assessing risk failure on individual asset components.</p> <p>b) Agreed – We will minute at a board meeting the Risk Register treatment plans being brought to the board.</p> <p>c) Agreed – We will consider the risk assessment when updating the asset management plan.</p>	<p>a) Administration Assistant/ General Manager - 1/6/2013</p> <p>b) Administration Assistant/ General Manager - 1/6/2013</p> <p>c) Administration Assistant/ General Manager - 1/6/2013</p>
2.7	<p>Contingency Plans</p> <p>Contingency plans should be documented,</p>	Low	Review the Disaster Management Policy and contingency plans on an	Agreed – will review the policies and present to the	General Manager/ Board - 1/6/2013

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	<p>understood and tested to confirm their operability and to cover higher risks.</p> <p>The AMP contains overviews of contingency plans for different scenarios.</p> <p>There also exists a Disaster Management Policy that sets out the Board policy for disaster management planning, responsibilities and a list of the contractor resources with contact details and estimated cost for various failures of power supply, channels and drains, etc. The policy is due to be reviewed in June 2013 (every two years).</p> <p>The adequacy of the contingency plans to cover the risks will need to be reviewed when the Risk Register and risk treatment plans are documented.</p> <p>It is considered that the Disaster Management Policy and contingency plans should be reviewed annually, including any testing considered necessary.</p>		<p>annual basis, including any changes in the risk assessments and any specific testing considered necessary.</p>	<p>Board.</p>	
2.8	<p>Financial Planning</p> <p>The financial plan should provide projections of operating statements (profit and loss) and statement of financial position (balance sheets).</p> <p>The OIC's 5 year Financial Plan includes Operating Statements (P&L) until 2016-17. The forecast operating, maintenance and capital costs over the next 5 years are included in the 5 year Financial Plan. However, there are no projected Statements of Financial Position.</p>	Low	<p>As part of the 5 year Financial Plan, develop projected Statements of Financial Position in order to provide a better analysis of past performance and to assist future planning.</p>	<p>Agreed – The five year plan to be reviewed annually and updated with 5 year forward financial projections (income, expenditure and financial position).</p>	<p>Financial Officer/ General Manager - 1/9/2013</p>

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
2.9	<p>Review of Asset Management System</p> <p>The Asset Management Plan has not been reviewed since 2008 apart from financial projections being extended to 2016/17. The Plan specifies review at five yearly intervals so the next review is due by August 2013.</p> <p>It is considered that the Plan should be reviewed on an annual basis and condition assessments of assets, financial projections, etc. updated with major reviews and re-issue of the Plan every five years.</p> <p>Also, the Plan has not been updated for the current licence issued by the Authority in May 2009.</p> <p>The Plan does not include a history of changes which it is considered would be useful to the reader.</p>	Medium	<ul style="list-style-type: none"> a) Implement a procedure to review/update the Asset Management Plan on an annual basis or if major changes occur, and full revision and re-issue every 5 years. The asset condition assessment, maintenance policies, capital expenditure plans and financial plans should be revised annually. b) Document the review process in the Asset Management Plan, including information such as responsibility, what is reviewed and how frequently. c) Update the Plan Review section of the AMP accordingly, including the requirement to notify the Authority of any changes to the asset management system within 10 business days (Major revisions of the AMP should be advised to the Authority). d) Keep track of all reviews of the AMP in a document history section. 	<ul style="list-style-type: none"> a) Agreed – An Auto Reminder will be added to the Asset Management system to remind that the plans need updating. b) Agreed – Will Review the plan and make necessary changes to ensure that the review process is adequate. c) Agreed – Will update the plan review sections of the AMP. d) Agreed – Will keep track of all reviews in the AMP by maintaining a document history section. 	<ul style="list-style-type: none"> a) General Manager - 1/6/2013 b) General Manager - 1/6/2013 c) General Manager - 1/6/2013 d) General Manager - 1/6/2013