



Quantum
Assurance

Gascoyne Water Cooperative Limited

Water Services Operating Licence

(Irrigation Services and
Non-Potable Water Supply)

Operational Audit and Asset Management System Review

Report

July 2013

TABLE OF CONTENTS

Executive Summary	1
Audit Opinion.....	3
1. Background.....	5
2. Methodology	6
2.1 Objectives and Scope.....	6
2.2 Audit Period and Timing	7
2.3 Licensee's Representatives Participating in the Audit.....	7
2.4 Key Documents Examined	7
2.5 Operational Audit - Compliance Ratings	8
2.6 Asset Management System Review - Adequacy and Performance Ratings.....	9
2.7 Audit Team and Hours.....	10
3. Operational Audit	12
3.1 Summary of Compliance Ratings	12
3.2 Previous Audit Recommendations	14
3.3 Audit Results and Recommendations	23
3.4 Recommended Changes to the Licence	42
3.5 Conclusion.....	42
4. Asset Management System Review	44
4.1 Summary of Asset Management System Ratings.....	44
4.2 Previous Review Recommendations.....	45
4.3 Review Results and Recommendations.....	60
4.4 Conclusion.....	75
Appendix A: Post Audit Implementation Plan.....	76

Quantum Management Consulting and Assurance

ABN 83 083 848 168 Liability limited by a scheme approved under Professional Services Legislation

Level 28 AMP Tower, 140 St Georges Terrace, Perth **M.** PO Box 6882, East Perth WA 6892

T. 08 9278 2570 **F.** 08 9278 2571

E. mail@quantumassurance.com.au **W.** www.quantumassurance.com.au

Executive Summary

The Gascoyne Water Co-operative Ltd ('GWC') 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 Gascoyne region.

The Gascoyne Water Irrigation Area covers an area of 2,000 hectares and a network of 37 km of pipeline with a total of 177 supply points. Since the previous audit, GWC has installed approximately 35 km of new HDPE pipeline and has de-commissioned the old asbestos-cement mains. GWC is also developing a new bore field on the northern side of the Gascoyne River.

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

The audit covered the period from 1st May 2011 to 30th April 2013 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 GWC has complied with its Water Services Operating Licence performance and quality standards and obligations during the audit period 1st May 2011 to 30th April 2013.

The audit reviewed the action taken on the previous audit recommendations in the audit report dated August 2011 and confirmed that all of the 14 previous recommendations had been implemented.

The audit recommended the following improvements:

- Reviews and update the Customer Complaints Procedure Manual in order to align it with the customer complaints handling requirements of the licence.
- Where a final response to the complainant cannot be provided within 15 business days of receipt of a complaint, the officer handling the complaint should respond within 15 business days by written communication to the complainant.
- Ensures that if a dispute has not been resolved within 15 business days, the customer is informed of the option of referring their complaint to the Department of Water.
- Reviews the figures in the "Days taken to close complaint" column of the Complaints Register to ensure correct entries.
- Updates the Complaints Register in order to enable monitoring and recording of outcomes to complaints (i.e. add another column).
- Ensures the newsletters are accessible through GWC's website.

The audit confirmed that GWC has fully complied with its information reporting obligations for the period 1st July 2010 to 30th June 2012.

The audit made several recommendations to GWC to improve the strength of its internal controls over its complaints handling obligations. Otherwise, the control environment is considered to be effective.

ASSET MANAGEMENT SYSTEM REVIEW

The review of the Asset Management System has shown that the system is operating effectively and meeting the expected performance standards under the Authority's licence.

The policies, procedures and supporting information to operate and maintain the system have improved since the previous review with revision of the Asset Management Plan and better definition of most policies and procedures. Several gaps remain in respect of:

- Updating the replacement cost of the new HDPE pipeline and the Northern Borefield Asset Registers and in the Gascoyne Water Asset Mutual Co-operative's (GWAMCO) Capital Expenditure Plan to reflect life cycle costing;
- Regularly testing the contingency plans;
- Including the projected financial position in the Financial Plan; and
- Updating the AMS Review section of the AMS for the requirement to notify the Authority of any (significant) changes to the asset management system within 10 business days.

The review confirmed that out of 12 recommendations from the previous review report dated August 2011, 6 recommendations have been completed and 6 have been partially completed. The partially completed recommendations mainly relate to incorporating asset life cycle costing, regular testing of the contingency plans and including the projected financial position in the Financial Plan.

The review recommended that GWC:

- Updates the replacement cost in the new HDPE pipeline and the Northern Borefield Asset Registers to reflect life cycle costing, although audit acknowledges that this has already been recorded as an action item in GWC's AMS Improvements and Action Plan;
- Regularly tests the contingency plans and maintains evidence of the testing and any action to be taken;
- Includes the projected financial position for at least the next 5 years in the Financial Plan in addition to the income and expenditure forecasts;
- Updates GWAMCO's Capital Expenditure Plan for asset renewal, incorporating life cycle costing. The audit acknowledges that this action is already recorded in GWC's AMS Improvements and Action Plan; and
- Updates the AMS Review section of the AMS for the requirement to notify the Authority of any (significant) changes to the asset management system within 10 business days.

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 GWC.

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

Audit Opinion

LIMITATIONS

Our review 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 GWC 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 May 2011 to 30th April 2013 as measured by the Authority’s Water Compliance Reporting Manual, July 2012.

This report was prepared for distribution to GWC and the Authority for the purpose of fulfilling GWC’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 GWC 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. A review 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 review conclusions expressed in this report have been formed on this basis.

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.

Auditor’s Unqualified Opinion

In our opinion, GWC 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 May 2011 to 30th April 2013.

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

28 AUGUST 2013

Gascoyne Water Cooperative Limited

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

Operational Audit and Asset Management System Review - Introduction

Report

July 2013

1. Background

The Gascoyne Water Co-operative Ltd ('GWC') 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 Gascoyne region.

Not less than once in every period of 36 months, GWC requires an operational audit of compliance with the licence conditions and a review of the asset management system to comply with the licensing requirements of the Authority. The previous audit period was 1 May 2010 to 30 April 2011 (report issued in August 2011).

GWC 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 (July 2012).

The Gascoyne Water Irrigation Area covers an area of 2,000 hectares and a network of 37 km of pipeline with a total of 177 supply points. Since the previous audit, GWC has installed approximately 35 km of new HDPE pipeline and has de-commissioned the old asbestos-cement mains. GWC is also developing a new bore field on the northern side of the Gascoyne River.

Our audit approach is based on the compliance obligations set out in the licence (Operating Licence 38, 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 from 1st May 2011 to 30th April 2013 inclusive and was conducted in June 2013.

The previous audit covered the period 1st May 2009 to 30th April 2011 inclusive.

2.3 Licensee's Representatives Participating in the Audit

- Leo Kaczmarczyk Chief Executive Officer
- Lisa Hodson Administration Officer.

2.4 Key Documents Examined

- GWC Water Services Operating Licence 38 (Version OL2) dated 15 May 2009
- Carnarvon Operating Area (Irrigation services and non-potable water supply services) Plan No. OWR-OA-177(B)
- Audit Report - GWC Operational Audit and Asset Management Review dated 31st August 2011
- Post Audit Implementation Plan - GWC Operational Audit and Asset Management Review dated 31st August 2011
- Post Audit Implementation Plan update dated September 2012
- Gascoyne Water Customer Service Charter (issued June 2012)
- GWC's Annual Reports for the year ended 30th June 2011 and 30th June 2012
- GWC's Customer Complaints Procedure Manual
- GWC's Customer Complaints Register and Customer Complaints Folder
- GWC Compliance and Reporting Schedule.
- Rules of GWC
- GWC Service Interruption Notifications Register
- GWC's Service Disruption Policy and Procedure
- Minutes of the Seventh, Eighth and Ninth Annual General Meetings and Agenda and the draft minutes of the latest AGM held 12 November 2012 (10th AGM)
- GWC Policy and Procedure Manual
- Performance Reports to the Authority for the years ended 30 June 2011 and 2012
- Compliance Reports to the Authority for the years ended 30 June 2011 and 2012
- Correspondence between GWC and the Authority
- GWC's Strategic Plan 2012-2020
- GWC's Business Plan 2012-2014
- GWC's Asset Management System (September 2012);
- Business case for the Upgrade of the Gascoyne Irrigation Pipeline
- Gascoyne Water Cashflow Forecast 2011/12-2021/22
- GWC's Operations and Maintenance Expenditure 2011-2016
- GWAMCO's Capital Expenditure Plan 2-13-2062
- GWC's Asset Management Plan
- GWC's Asset Creation and Acquisition Policy and Procedure
- GWC's Asset Acquisition, Creation and Replacement Register
- GWC's Asset Disposal Policy and Procedures
- GWC's Asset Disposal Register
- GWC's Environmental Analysis Policy and Procedures
- GWC's Asset Operation Policy and Procedures
- GWC's Asset Registers for old a-c pipeline, new HDPE pipeline and the Northern Borefield

- GWC's Operations Action Plan and Risk Assessment spreadsheet
- GWC's Work Order/Request Policy and Procedures
- GWC's Routine and Planned Maintenance Policy and procedures
- Asset Maintenance Risk Register for Carnarvon Irrigation System
- GWC's Master Routine Maintenance Schedule
- GWC's Planned Works Register
- GWC's Completed Works Register
- GWC's Defects Tracking Register
- GWC's Asset Management Information System Policy and Procedures
- GWC's Risk Management Policy and Procedures
- GWC's Strategic Risk Assessment and management Plan
- GWC's Business Risk Register
- GWC's Risk Register for Carnarvon Irrigation System
- GWC's Contingency Planning Policy and Procedures
- GWC's Financial Planning Policy
- GWC's Financial Plan
- GWC's Capital Expenditure Plan
- GWC's AMS Review and Improvement Policy and procedure
- GWC's Improvements and Action Plans Register.

2.5 Operational Audit - Compliance Ratings

GWC'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 - Adequacy and Performance 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	BUDGET HOURS
Geoff White – Director	5
Andrea Stefkova – Assistant Manager	50
David Wills – Principal Engineer (David Wills & Associates)	5
Rex Bryant – Senior Engineer (David Wills & Associates)	15
TOTAL	75



Gascoyne Water Cooperative Limited

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

Operational Audit – Detailed Report

Report

July 2013

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/major action, 4=compliant/minor action, 5=fully 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	Strong					✓			
3	Asset Management System	Cl. 17.1	2	C	Medium	Strong					✓			
4	Notify changes to Asset Management System	Cl. 17.2	1	C	Low	Moderate					✓			
5	Review of Asset Management System	Cl. 17.3	1	C	Low	Strong					✓			
6	Operational Audit	Cl. 16.1	1	C	Low	Strong					✓			
7	Comply with Performance Standards (emergency response, complaints, continuity and overflows)	Cl. 20.1	3	B	High	Strong					✓			
	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	Moderate				✓				
10	Customer complaints resolution	Sch.3, Cl. 3.1	2	B	Medium	Moderate			✓					
11	Not applicable – only applies to local government	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	Not applicable – only applies to local government	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	Moderate				✓				
15	Option to refer complaint to Dept. of Water	Sch.3 Cl.3.4	2	B	Medium	Moderate			✓					
16	Not applicable – only applies to local government	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							✓	
19	Customer Service Charter	Cl.7.1	2	C	Medium	Strong					✓			

¹ The number refers to the item reference in the Water Compliance Reporting Manual, the Authority July 2012

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/major action, 4=compliant/minor action, 5=fully compliant, N/A = not applicable, N/R = not rated)						
							1	2	3	4	5	N/A	N/R
20	Availability of Customer Service Charter	Sch.3 Cl. 2.5	2	C	Medium	Strong					✓		
21	Charter reviewed every 3 years	Sch.3 Cl. 2.6	1	C	Low	Strong					✓		
22	Services consistent with Charter	Sch.3 Cl. 2.7	2	B	Medium	Moderate			✓				
23	Customer consultation process	Cl. 8	2	C	Medium	Strong					✓		
24	Customer Council or at least two other forums	Sch.3 Cl. 4.1	2	C	Medium	Strong					✓		
25	Consult the Authority on type and extent of customer consultation	Sch.3 Cl. 4.2	2	C	Medium	Strong					✓		
26	If requested, establish other forums	Sch.3 Cl. 4.3	2	C	Medium	Strong							✓
27	Licence Specific – season opening and closing public meetings	Sch.3 Cl. 4.4	2	C	Medium	Strong					✓		
28	Customer consultation prior to major changes	Sch.3 Cl. 4.5	N/A	N/A	N/A	N/A						✓	
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	B	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	C	Medium	Strong					✓		
46	Reporting	Cl. 18.1	2	C	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	Strong					✓		
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 August 2011 is summarised below.

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
1.1	Compliance with Legislation	<p>Gascoyne Water is required to comply with the Water Services Licensing Act 1995 (WA) and the Co-operative Act 2009.</p> <p>The key legislative requirements are incorporated into the licence.</p> <p>GWC has not changed either it's Customer Service Charter nor it's Articles of Association to accommodate the stipulations of the Co-operative Act 2009.</p>	2	Amendments to both the Customer Service Charter and Articles of Association of GWC are required to comply with the Co-operative Act 2009.	<p>GWC are required to be compliant with the 2009 Act by June 2012 and is in the process of drafting a new constitution which is compliant. GWC aims to have it completed for approval by members at the 2011 AGM, in November 2011, after which it will be registered.</p> <p>GWC is in the process of revising its Customer Service Charter, and will ensure that this complies with the 2009 Act.</p> <p><i>CEO - January 2012</i></p>	<p>The audit sighted the Rules of GWC dated 14 February 2012 and confirmed that the rules accommodate the stipulations of the Co-operative Act 2009.</p> <p>The Customer Service Charter was amended and approved by the Authority on 28th December 2011 to incorporate the 2011 audit recommendations.</p>	COMPLETED
1.2	Provision of	A breach of legislation	2	A formalised reminder	Management are in	In order to meet all	COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
(item 48)	Information	occurred in that both the annual water licence compliance report (due on 31 August 2010) and the annual license performance report (due 31 July 2010) were submitted late. Both reports were only submitted on 23 September 2010 after further deadlines were not complied with.		mechanism should be put in place to ensure all reporting deadlines for the Authority are met. The continuity of administrative support should be ensured through documented assignment of duties and procedure manuals that cover all administrative tasks.	the process of updating their checklists and procedures to ensure all reports are submitted on time in the correct manner. We are setting up a shared Microsoft Outlook calendar that captures all deadlines for the Authority and other reports, including assigned responsibilities. A hard copy will be printed out and kept on record as often as necessary. <i>CEO - October 2011</i>	reporting deadlines for the Authority, GWC has developed a Compliance and Reporting Schedule. The audit was advised that the Schedule is being reviewed and discussed during the combined field and office staff meetings once a month as well as by the GWC Board at its monthly meetings. GWC has also developed a comprehensive GWC Policy and Procedure Manual that covers all administrative tasks.	
1.3 (items 9 and 14)	Customer Complaints	A unique identifying complaint number is not assigned for each complaint.	3	A unique complaint number should be assigned for each individual complaint.	Management will implement a unique identifying complaint numbering system. <i>CEO - October 2011</i>	Audit sighted GWC's Complaints Register and confirmed that a unique chronological numbering system for all complaints has been implemented.	COMPLETED
1.4 (items 9 and 14)	Customer Complaints	A Customer Complaints Register is maintained both in hard copy and electronically.	3	All customer complaint forms should be filed in chronological order in the complaints file.	Management will implement the filing system in chronological order.	A Customer Complaints Procedure Manual has been developed and used since 1 st Oct. 2011.	COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
		All complaint forms are filed in the hard copy version thereof. However, there appears to be a gap from 05/12/2009 to 19/09/2010 for which no customer complaints can be found.			<i>Administration Officer - September 2011</i>	An intensive search of all office current and archived files has failed to locate missing complaint forms from 05/12/2009 to 19/09/2010. Audit has reviewed the Complaints file and confirmed that all customer complaint forms are now being filed in chronological order in the complaints file.	
1.5 (item 20)	Customer Charter	Three separate revisions were performed of the Customer Service Charter in the 2010 calendar year. After the Authority's approval in December 2010, the amended Customer Service Charter was made available to new customers but only to those existing customers who requested a copy.	3	GWC should provide copies of the approved Customer Service Charter to all customers: <ul style="list-style-type: none">• after the Authority approval of any changes thereto; and• at least once in every three year period.	The Customer Service Charter is soon to be revised, once the new Rules are approved. This will then go out to each customer. Besides this, the Charter will be sent out at least once in every three year period and on an as-needs basis. <i>CEO - January 2012</i>	The Customer Service Charter was amended and approved by the Authority on 28 December 2011 to incorporate the 2011 audit recommendations. All members have received this amended copy in hard copy format on 16 January 2012 as recorded in GWC's Service Interruption Notification Register and GWC's Compliance and Reporting Schedule 2012. Records are being kept of all members who were sent a copy. The requirement to send a copy of the Customer Service Charter to all members every 3 years or as requested is stipulated	COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
						in GWC Compliance and Reporting Schedule. The next due date recorded in the Schedule is 20 December 2013.	
1.6 (item 21)	Customer Charter	<p>Three separate revisions were performed of the Customer Service Charter in the 2010 calendar year.</p> <p>A number of extensions were granted by the Authority to GWC for the submission of the updated Customer Service Charter. However, documentation in support of these extensions is incomplete. Compliance with the deadlines provided by the Authority thus cannot be established.</p> <p>The charter was approved by the Authority on 20 December 2010.</p>	3	<p>All correspondence with the Authority should be filed in date sequence to ensure completeness and easy access to documentation.</p> <p>A formalised reminder mechanism should be put in place to ensure the Customer Service Charter is reviewed and the Authority's approval is obtained therefore, all within the approved timeframe.</p>	<p>Procedures will be implemented to improve the overall filing system within GWC, including the correspondence with the Authority. A shared Microsoft Outlook calendar will be set up to ensure deadlines are met well in time. A hard copy will be printed out and kept on record as often as necessary.</p> <p><i>CEO & Administration Officer - October 2011</i></p>	<p>The audit confirmed that all Authority correspondence has now been filed in chronological order.</p> <p>The requirement to review the Customer Service Charter once every three years is stipulated in GWC's Compliance and Reporting Schedule. The next due date for review recorded in the Schedule is 20 December 2013.</p>	COMPLETED
1.7 (item 24)	Customer Consultation	The "Gascoyne Water Comment" newsletter was not circulated at all during the audit period.	3	The newsletter should be circulated approximately four to six times per annum.	Members have been kept well informed on issues such as projects.	Since the date of the previous audit report, one newsletter has been issued in 2011, four newsletters in	COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
					<p>Various information letters have been sent out, though not in the format of a formal newsletter. In many instances, we have preferred to visit growers individually to ensure they are fully briefed on important issues. We have not had customer complaints relating to lack of information. We will investigate the appropriateness of a newsletter to replace our current communication with our members.</p> <p><i>CEO - Ongoing</i></p>	<p>2012 and so far one newsletter in 2013 with two additional newsletters planned to be issued in July and October 2013 as recorded in GWC Compliance and Reporting Schedule.</p> <p>The GWC Service Interruption Notifications Register provides a record of when the newsletter was issued to the members. Records are being kept of all members who were sent a copy.</p> <p>The audit sighted copies of the newsletters, however noted that the newsletters cannot be accessed through GWC's website although the link is provided.</p> <p><i>(Post Audit Implementation Plan item 1.5)</i></p>	
1.8 (item 27)	Customer Consultation	The Seventh Annual General Meeting was held on 16 June 2009. It is noted that the minutes are not kept in a register and are not signed by the Chairman.	3	The minutes should be kept in a register and should be signed by the Chairman.	<p>Minutes are signed by the Chairman after approval at the following AGM, and then bound for storage.</p> <p>We will include this item on our AGM organisational</p>	The audit sighted the minutes of the Seventh, Eighth and Ninth Annual General Meetings and confirmed the minutes were signed by the Chairman and are kept in a register.	COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
					checklist. <i>CEO - Annually after AGM</i>		
1.9 (item 27)	Customer Consultation	The Eighth Annual General Meeting was held on 20 October 2010. Even though members were given the opportunity to view their opinions on the performance and operation of the scheme, this fact was not minuted.	3	The agenda for the meeting should include an item for discussion of customer views on performance and operation of the scheme. The minutes of the meeting should disclose that members were given an opportunity to discuss the performance and operation of the scheme.	The agenda for future annual general meetings will include an item for discussion of customer views on the performance and operation of the scheme. Details of such discussions will be appropriately minuted. <i>CEO - November 2011</i>	The audit reviewed the Agenda and the draft minutes of the latest AGM held 12 November 2012 (10 th AGM) and confirmed that the Agenda now includes items such as "Operation and performance of scheme since last AGM", "Members comments" and "General Business – Question time". Audit confirmed that details of such discussions were appropriately minuted.	COMPLETED
1.10 (item 27)	Customer Consultation	From the minutes for the Eight Annual General Meeting it is evident: (a) Season opening and closing conditions; (b) Tariffs; and (c) Scheme operation were not discussed.	3	The agenda for the meeting should include items for discussion of season opening and closing conditions, tariffs and the scheme operation. Such discussions should take place during the meeting and be included in the minutes.	The agenda for future annual general meetings will include an item for discussion of season opening and closing conditions, tariffs and the scheme's operation. Details of such discussions will be appropriately minuted. <i>CEO - November</i>	The GWC Master AGM agenda template has been amended to incorporate member discussions on: (a) Season opening and closing conditions (b) Tariffs (c) Scheme operation The audit reviewed the Agenda and the draft minutes of the latest AGM held 12 November 2012 (10 th AGM) and confirmed	COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
					2011	that the Agenda now includes items such as "Season opening and closing conditions", "Review of current and proposed tariffs" and "Operation and performance of the scheme since last AGM". Audit confirmed that details of such discussion were appropriately minuted.	
1.11 (items 5 and 6)	Operational and Management Review	Audit Asset The report for both the operational audit and asset management system review, covering the period 1 May 2007 to 30 April 2010, was overdue. The report for the audit and review was due on 31 July 2010. However, the report was only submitted to the Authority on 1 October 2010.	2	A formalised reminder mechanism should be put in place to ensure all reporting deadlines for the Authority is met.	We are setting up a shared Microsoft Outlook calendar that captures all deadlines for the Authority and other reports, including assigned responsibilities. A hard copy will be printed out and kept on record as often as necessary. CEO - October 2011	In order to meet all reporting deadlines for the Authority, GWC has developed a Compliance and Reporting Schedule. The audit was advised that the Schedule is reviewed and discussed during the combined field and office staff meetings once a month. GWC has also developed a comprehensive GWC Policy and Procedure Manual that covers all administrative tasks.	COMPLETED
1.12 (items 2 and 7)	Service Performance Standards	and The Customer Service Charter was amended on 28 June 2010 and stipulates: "If a planned disruption to supply is required we will endeavour to advise all	3	The Customer Service Charter should be amended to be in accordance with the licence requirements. As such, the word 'endeavour' should be	We will amend our Customer Service Charter by removing the word 'endeavour' with reference to planned shutdowns.	Clause 3.5 of the Customer Service Charter has been amended (15 September, 2011) with the removal of the word "endeavour".	COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
		<p>customers affected in writing at least 5 business days before the disruption occurs".</p> <p>However, this amended stipulation by use of the word 'endeavour' sets a lower compliance standard than that prescribed in the licence. As such, it will be possible for the licensee to comply with the Customer Service Charter stipulation without meeting the licence criteria.</p>		omitted from the amended stipulation.	<p>CEO</p> <p>November 2011</p>		
1.13 (items 2 and 7)	Service Performance and Standards	<p>No specific record is kept to indicate which customers were provided with notice of planned service disruptions. As such, it is not possible to calculate the percentage of customers who received such notice. Consequently, GWC's compliance with the stipulation that, in the preceding 12 month period, 90% of all customers must receive this service standard cannot be</p>	3	<p>Proper records should be kept of communication with customers to enable measurement of, and reporting on compliance with service standards.</p>	<p>Logging of customer complaints and our responses will be reported monthly to the Board.</p> <p>Each time a planned service disruption occurs, a record will be kept of the customers affected, as well as those notified, including the date of notification and disruption.</p> <p>CEO - November</p>	<p>A record is currently kept of all outage notifications to GWC's members, whether planned or breakdown, in the GWC Service Interruption Notifications Register.</p> <p>Email notification is used in the majority of cases. Facsimile transmittal is used where members do not have an email address.</p> <p>A list of members is kept showing those that receive emails and those that receive faxes.</p>	COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
		measured.			2011		
1.14 (item 47)	Provision of any information to the Authority	A breach of legislation occurred in that both the annual water licence compliance report (due on 31 August 2010) and the annual license performance report (due 31 July 2010) were submitted late. Both reports were only submitted on 23 September 2010 after further deadlines were not complied with.	2	A formalised reminder mechanism should be put in place to ensure all reporting deadlines for the Authority is met. The continuity of administrative support should be ensured through documented assignment of duties and procedure manuals that cover all administrative tasks.	Management are in the process of updating their checklists and procedures to ensure all reports are submitted on time and in the correct manner. We are setting up a shared Microsoft Outlook calendar that captures all deadlines and reports. A hard copy will be printed out and kept on record as often as necessary. <i>CEO - October 2011</i>	In order to meet all reporting deadlines for the Authority, GWC has developed a Compliance and Reporting Schedule. The audit was advised that the Schedule is being reviewed and discussed during the combined field and office staff meetings once a month. GWC has also developed a comprehensive GWC Policy and Procedure Manual that covers all administrative tasks.	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 (1=significantly non-compliant , 2=non-compliant, 3 =compliant/major action, 4=compliant/minor action, 5=fully compliant, N/A = not applicable, N/R = not rated)
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 GWC 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 GWC's Performance Reports for 2010/11 and 2011/2012, interviewed GWC's CEO and reviewed supporting documentation. This confirmed that GWC complied with all performance standards during the audit period, without exceptions.	5
3	Water Services Licensing Act Section 36(1)(a)	Clause 17.1	The Licensee must have an Asset Management System in respect to the licensed activity.	2	3	The audit confirmed that the Asset Management System in respect to the licensed activity is in place.	5
4	Water Services	Clause 17.2	The Licensee must notify the Authority of any changes to	2	5	The new asset management system was approved by GWC's Board on 27 September 2011 and GWC informed the	5

² Number refers to the item reference in the Water Compliance Reporting Manual, the Authority July 2012

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 (1=significantly non-compliant , 2=non-compliant, 3 =compliant/major action, 4=compliant/minor action, 5=fully compliant, N/A = not applicable, N/R = not rated)
	Licensing Act Section 36(1)(b)		the Asset Management System.			Authority of the implementation of the new asset management system in a letter dated 30 September 2011. The audit sighted the correspondence between GWC and the Authority and confirmed that by notifying the Authority within 10 business days of changing the asset management system, GWC has complied with clause 17.2 of the licence. The Authority has been kept informed about the progress of implementation of the previous audit recommendations via the Post Audit Implementation Plan updates.	
5	Water Services Licensing Act Section 36(1)(c)	Clause 17.3	The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an independent expert report, acceptable to the Authority, on the effectiveness of the Asset Management System.	2	3	The previous Asset Management System Review covered the period 1 st May 2010 to 30 th April 2011 inclusive, with the report provided to the Authority being dated 31 August 2011. Due to the number of process deficiencies, the Authority reduced the next review period to 12 months being 31 July 2012. At GWC's request, the Authority extended the next due date to 31 July 2013 to enable the review to cover the newly installed assets and the new asset management system.	5
6	Water Services Licensing Act Section 37(1)	Clause 16.1	The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an operational audit conducted by an independent expert,	2	3	The previous Operational Audit covered the period 1 st May 2010 to 30 th April 2011 inclusive, with the report provided to the Authority being dated 31 August 2011. The next report was due by 31 July 2013.	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 (1=significantly non-compliant , 2=non-compliant, 3 =compliant/major action, 4=compliant/minor action, 5=fully compliant, N/A = not applicable, N/R = not rated)
			acceptable to the Authority.				
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. In the preceding 12 month period, 90% of all customers received the service standard (planned service interruptions with 5 business days' notice). 	2	2	<p>The audit reviewed GWC's Performance Reports for 2010/11 and 2011/12, interviewed GWC's CEO and reviewed supporting documentation. This confirmed that GWC complied with all performance standards during the audit period, without exceptions.</p> <p>All complaints for both reporting periods were resolved within 15 business days per the Complaints Register.</p>	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 (1=significantly non-compliant , 2=non-compliant, 3 =compliant/major action, 4=compliant/minor action, 5=fully compliant, N/A = not applicable, N/R = not rated)
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	N/A	The licence expires on 23 June 2028. 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	4	<p>GWC's Customer Service Charter (June 2012) outlines the process in regards to customer complaints.</p> <p>A Customer Complaints Procedure Manual has been developed and is in use since October 2011. However, the audit has noted some discrepancies between the customer complaints handling requirements as prescribed by the Licence and the customer complaints handling process as outlined in GWC's Customer Complaints Procedure Manual as follows:</p> <ul style="list-style-type: none"> The GWC's Customer Complaints Procedure Manual refers to the required timeframe for complaint resolution as 15 calendar days, not 15 business days, as required under the Licence. The requirement that "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" is not included in GWC's 	3

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 (1=significantly non-compliant , 2=non-compliant, 3 =compliant/major action, 4=compliant/minor action, 5=fully compliant, N/A = not applicable, N/R = not rated)
						<p>Customer Complaints Procedure Manual.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Review and update the Customer Complaints Procedure Manual in order to align it with the customer complaints handling requirements of the licence. <p><i>(Post Audit Implementation Plan item 1.1)</i></p>	
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	<p>Schedule 3 clause 3.1 of the Licence requires the licensee to have in place, a properly resourced process for effectively receiving, recording and (where possible) resolving customer complaints within a timeframe of 15 business days. The 15 days is not a mandatory requirement of the licence but has been set as a target by GWC.</p> <p>The audit sighted the Complaints Register and noted that all customer complaints over the audit period, except two, were resolved within 15 business days.</p> <p>The two exceptions related to two consecutive written complaints from one complainant in regards to the same matter, as follows:</p> <ul style="list-style-type: none"> Complaint ID 2013.002 re cost of connection & misinformation – the complaint was resolved by the Board on its meeting on 17 January 2013 (within 10 business days of the receipt of complaint), however the final response was provided to the complainant by the Company Secretary via letter on 14 February 2013 (29 business days after the receipt of complaint). 	3

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 (1=significantly non-compliant , 2=non-compliant, 3=compliant/major action, 4=compliant/minor action, 5=fully compliant, N/A = not applicable, N/R = not rated)
						<ul style="list-style-type: none"> Complaint ID 2013.003 re cost of connection & misinformation – request Board to re-evaluate decision - the complaint was resolved by the Board on its meeting on 8 March 2013 (within 9 business days of the receipt of complaint), however the final response was provided to the complainant by the CEO via letter on 22 March 2013 (19 business days after the receipt of complaint). The Complaints Register states that the complaint was resolved within 35 business days, which is not accurate (should be 19). <p>The audit concluded that in both instances the complaints could have been resolved within the required timeframe of 15 business days, however in both cases there were delays in providing the final responses to the complainant.</p> <p>The audit also noted that GWC's Customer Complaints Procedure Manual refers to the required timeframe for complaint resolution as 15 calendar days, not 15 business days, as required under the Licence (<i>Refer Post Audit Implementation Plan item 1.1</i>).</p> <p>Recommendations:</p> <p>a) Where a final response to the complainant cannot be provided within 15 business days of the complaint being received, the officer handling the complaint should respond within 15 business days by written communication to the complainant.</p> <p>b) Review the figures in the "Days taken to close complaint"</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 (1=significantly non-compliant , 2=non-compliant, 3 =compliant/major action, 4=compliant/minor action, 5=fully compliant, N/A = not applicable, N/R = not rated)
						column of the Complaints Register to ensure correct entries. (Post Audit Implementation Plan item 1.2)	
11	N/A	Schedule 3 Clause 3.8	The licensee must resolve customer complaints within 15 business days of the receipt of complaint or for matters to be considered by a Local Government Council within 5 business days after the first ordinary Council meeting following the 15 business day period.	NR	N/A	The GWC is not a Local Government Agency so this is not applicable.	N/A
12	N/A	Schedule 3 Clause 3.2(b)	The licensee must provide appropriately trained staff to respond to complaints.	NR	5	A trained Office Manager & Company Secretary is available in the office for dealing with customer complaints. All staff are trained on the procedures for dealing with customer complaints. All complaints are reported to the Board. Minor complaints are reported verbally and major complaints are formally reported and minuted.	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	NR	N/A	The GWC 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 (1=significantly non-compliant , 2=non-compliant, 3 =compliant/major action, 4=compliant/minor action, 5=fully compliant, N/A = not applicable, N/R = not rated)
			complaints.				
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	<p>The GWC's Complaints Register was sighted. The Complaints Register is maintained both in hard copy and electronically. All complaints are filed in the hard copy version.</p> <p>Complaints are recorded in GWC's Complaints Register with a unique complaint number. Audit confirmed that the nature of complaints is included in GWC's Complaints Register, however not the outcomes of complaints, although the number, nature of as well as outcomes to complaints are recorded on the individual Complaints Forms.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Update the Complaints Register in order to enable monitoring and recording of outcomes to complaints i.e. add another column. <p><i>(Post Audit Implementation Plan item 1.3)</i></p>	4
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	<p>The GWC's Customer Service Charter (June 2012) outlines the process of handing customer complaints in accordance with the Licence requirements.</p> <p>A Customer Complaints Procedure Manual has been developed and in use since October 2011. Audit reviewed the Manual and noted that the requirement that 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 is not included in</p>	3

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 (1=significantly non-compliant , 2=non-compliant, 3 =compliant/major action, 4=compliant/minor action, 5=fully compliant, N/A = not applicable, N/R = not rated)
						<p>GWC's Customer Complaints Procedure Manual (<i>Post Audit Implementation Plan item 1.1</i>).</p> <p>Furthermore, audit also reviewed GWC's correspondence to complainant in two instances where the complaint was not resolved within the target of 15 business days (Complaint ID 2013.002 & 2013.003) and noted that GWC hadn't informed the complainant of the option of referring their complaint to the Department of Water.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Ensure that if a dispute has not been resolved within 15 business days, the customer is informed of the option of referring their complaint to the Department of Water. <p>(<i>Post Audit Implementation Plan item 1.2</i>)</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 GWC 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 GWC's CEO that during the audit period, there were no such requests received from the Department of Water.	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 (1=significantly non-compliant , 2=non-compliant, 3=compliant/major action, 4=compliant/minor action, 5=fully compliant, N/A = not applicable, N/R = not rated)
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 GWC's CEO that during the audit period, there were no such requests received from the Department of Water.	N/R
19	N/A	Clause 7.1	The licensee must establish a Customer Service Charter as set out in Schedule 3.	2	3	<p>The Charter was amended and approved by the Authority on 28 December 2011 to incorporate the 2011 audit recommendations.</p> <p>The Charter was further amended and approved by the Authority on 29 June 2012 to incorporate changes to the details on the 'contact numbers' page.</p> <p>The GWC must undertake the next review of the Charter and submit the reviewed Charter to the Authority for approval by 20 December 2013.</p>	5
20	N/A	Schedule 3 Clause 2.5	The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence.	2	4	<p>The audit confirmed that a copy of GWC's Customer Service Charter is prominently displayed at GWC's office reception as well as made available on GWC's web page.</p> <p>The audit confirmed with GWC's CEO that a copy of the Charter is also provided upon request and at no charge to customers.</p> <p>The audit confirmed that all members have received a hard copy of the amended Customer Service Charter (amended and approved by the Authority on 28 December 2011) on 16 January 2012 as recorded in GWC's Service Interruption Notification Register and GWC's Compliance and Reporting Schedule 2012. Records are being kept of all members who</p>	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 (1=significantly non-compliant , 2=non-compliant, 3 =compliant/major action, 4=compliant/minor action, 5=fully compliant, N/A = not applicable, N/R = not rated)
						were sent a copy. The requirement to send a copy of the Customer Service Charter to all members every 3 years or as requested is stipulated in GWC's Compliance and Reporting Schedule. The next due date recorded in the Schedule is 20 December 2013.	
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	The Charter was amended and approved by the Authority on 28 December 2011 to incorporate the 2011 audit recommendations. The Charter was further amended and approved by the Authority on 29 June 2012 to incorporate changes to the details on the 'contact numbers' page. The GWC must undertake the next review of the Charter and submit the reviewed Charter to the Authority for approval by 20 December 2013.	5
22	N/A	Schedule 3 Clause 2.7	The licensee must provide its services consistent with its Customer Service Charter.	2	4	The GWC's Charter is generally consistent with the licence provision in covering all of the service issues likely to be of concern to the GWC's customers. The audit confirmed that GWC provides its services consistent with its Customer Service Charter, except for the Charter requirement to resolve complaints within 15 business days or if this is not possible, inform the customer of the option of referring their complaint to the Department of Water (<i>Post Audit Implementation Plan item 1.2</i>).	3
23	N/A	Clause 8	The licensee must establish	NR	4	The audit confirmed with GWC's CEO that an adequate	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 (1=significantly non-compliant , 2=non-compliant, 3 =compliant/major action, 4=compliant/minor action, 5=fully compliant, N/A = not applicable, N/R = not rated)
			customer consultation processes as set out in Schedule 3.			customer consultation process has been established.	
24	N/A	Schedule 3 Clause 4.1	The licensee may either establish a Customer Council or institute at least 2 of the following: establish a regular meeting; publish a newsletter or run other public forums, concerning the licensed activities.	NR	4	<p>No Customer Council has been established by GWC, but GWC has instituted other processes as detailed below.</p> <p>GWC holds regular meetings with customers by way of annual general meetings in accordance with the Rules of GWC and member information meetings as required. GWC advise other information to members by way of direct mail, newsletters, notices in newspapers circulating in the district and advice through local radio stations and via the website.</p> <p>The Charter states that at least two newsletters will be produced each year. Audit has confirmed that since the date of the previous audit report, one newsletter has been issued in 2011, four newsletters in 2012 and one newsletter in 2013 to May 2013, with two additional newsletters planned to be issued in July and October 2013 as recorded in GWC's Compliance and Reporting Schedule.</p> <p>GWC's Service Interruption Notifications Register provides a record of when the newsletter was issued to members and when member information meetings were held. Records are being kept of all members who were sent a copy of the newsletter or the notice of the member information meeting.</p> <p>The audit sighted copies of the newsletters, however noted that the newsletters cannot be accessed through GWC's website although the link is provided.</p>	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 (1=significantly non-compliant , 2=non-compliant, 3=compliant/major action, 4=compliant/minor action, 5=fully compliant, N/A = not applicable, N/R = not rated)
						Recommendation: <ul style="list-style-type: none"> Ensure the newsletters are accessible through GWC's website. <i>(Post Audit Implementation Plan item 1.4)</i>	
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 GWC's Customer Service Charter outlines the customer consultation process and customer contact. The latest amended Charter was approved by the Authority on 22 June 2012.	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 GWC's CEO 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>GWC holds an Annual General Meeting (AGM) every year and also calls additional meetings when required.</p> <p>The GWC Master AGM agenda template has been amended to incorporate member discussions on:</p> <ul style="list-style-type: none"> (a) Season opening and closing conditions (b) Tariffs (c) Scheme operation <p>Audit reviewed the Agenda and the draft minutes of the latest</p>	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 (1=significantly non-compliant , 2=non-compliant, 3 =compliant/major action, 4=compliant/minor action, 5=fully compliant, N/A = not applicable, N/R = not rated)
						AGM held 12 November 2012 (10 th AGM) and confirmed that the Agenda now includes items such as "Season opening and closing conditions", "Review of current and proposed tariffs" and "Operation and performance of the scheme since last AGM". Audit confirmed that details of such discussions were appropriately minuted.	
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	N/A	The GWC is not a sewerage provider so this is not applicable.	N/A
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 GWC 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 GWC's CEO that no such agreements have been entered into over the audit period.	N/R
31	N/A	Schedule 3 Clause 5.4	The licensee must publish a report annually that includes the specified information.	NR	4	The audit confirmed with GWC's CEO that no agreements that may exclude, modify or restrict the terms of the licence have been entered into over the audit period.	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 (1=significantly non-compliant , 2=non-compliant, 3=compliant/major action, 4=compliant/minor action, 5=fully compliant, N/A = not applicable, N/R = not rated)
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 GWC's CEO 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 GWC prepares a comprehensive Annual Report, which is independently audited by a certified auditor. The audit sighted GWC's Annual Reports for the years ended 30 June 2011 and 30 June 2012, including Independent Audit Reports.	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 May 2010 to 30 th April 2011 inclusive. The previous Audit Report – GWC Operational Audit and Asset Management Review dated 31 August 2011 confirms compliance with the Authority's Standard Audit Guidelines. Also GWC's Audit Plan – Water Services Operating Licence – Operational Audit and Asset Management System Review (19 June 2013) stipulates compliance requirements on auditors.	5
43	Water Services Licensing Act Section 36	Clause 17.1	The licensee must provide for and notify the Authority of its asset management system within 2 business days from	2	5	The licence commencement date was 23 June 2003. The Authority was notified of GWC's asset management system at that date.	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 (1=significantly non-compliant , 2=non-compliant, 3=compliant/major action, 4=compliant/minor action, 5=fully compliant, N/A = not applicable, N/R = not rated)
			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	<p>The new asset management system was approved by GWC's Board on 27 September 2011 and GWC informed the Authority of the implementation of the new asset management system in a letter of 30 September 2011. The audit sighted the correspondence between GWC and the Authority and confirmed that by notifying the Authority within 10 business days of changing the asset management system, GWC has complied with clause 17.2 of the licence.</p> <p>The Authority has been kept informed about the progress of implementation of the previous audit recommendations via the Post Audit Implementation Plan updates.</p>	5
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	4	<p>The previous Asset Management System Review covered the period 1st May 2010 to 30th April 2011 inclusive. The previous Audit Report – GWC Operational Audit and Asset Management Review dated 31 August 2011 confirmed the compliance with the Authority's Standard Audit Guidelines.</p> <p>Also GWC's Audit Plan – Water Services Operating Licence – Operational Audit and Asset Management System Review (19 June 2013) stipulates compliance requirements on auditors.</p>	5
46	N/A	Clause 18.1	The licensee must report to	2	4	The audit confirmed with GWC's CEO that during the audit	N/R

No 2	Licence Condition	Obligation Under Condition	Description	Risk Type (1=Major, 2=Moderate, N/R=Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (1=significantly non-compliant , 2=non-compliant, 3=compliant/major action, 4=compliant/minor action, 5=fully compliant, N/A = not applicable, N/R = not rated)
			the Authority if it is under external administration within 2 business days or significant change in its financial or technical circumstances within 10 business days.			period, GWC wasn't under external administration and there was no significant change in its financial or technical circumstances that could affect the licensee's ability to meet its obligations under the licence.	
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, GWC provided updates of the Post-Audit Implementation Plan in respect of the 2011 performance audit and asset management system review. The GWC provided its last update to the Authority in September 2012. Because the period of time covered by the next operational audit and asset management system effectiveness review of the licence, was to fall due within the next six months, 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	3	In accordance with the Water Compliance Reporting Manual July 2012, GWC is required to submit to the Authority: <ul style="list-style-type: none"> Annual performance reports no later than 31 July for the reporting year ending 30 June; and Annual compliance reports by 31 August for the year ending 30 June. The audit reviewed GWC's Compliance and Performance Reports for the years ending 30 June 2011 and 2012 and confirmed that all reports were submitted by the due date. In order to meet all reporting deadlines for the Authority, GWC has developed a Compliance and Reporting Schedule.	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 (1=significantly non-compliant , 2=non-compliant, 3 =compliant/major action, 4=compliant/minor action, 5=fully compliant, N/A = not applicable, N/R = not rated)
						<p>The audit has confirmed that both the annual performance report and annual compliance report submission due dates are included in the Schedule. The audit was advised that the Schedule is being reviewed and discussed during the combined field and office staff meetings once a month.</p> <p>GWC has also developed a comprehensive GWC Policy and Procedure Manual that covers all administrative tasks.</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 GWC's CEO that during the audit period, no such directions were received from the Authority.	N/R
-	N/A	Schedule 6 Clause 2.1	The licensee must set out in writing its conditions for connection and make it available to people enquiring or applying for connection.	NR	4	<p>The conditions for connection are set out in GWC's Customer Service Charter.</p> <p>The Charter is prominently displayed at GWC'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 GWC website.</p>	5
-	N/A	Schedule 6 Clause 2.2	The licensee must ensure that its services are available for connection on any land in the Operating Area subject to compliance with the GWC's conditions.	NR	4	<p>The audit confirmed with GWC's CEO that the services are available for connection on any land in the Operating Area subject to compliance with GWC's conditions.</p> <p>The conditions for connection are set out in GWC's Customer Service Charter.</p>	5
-	N/A	Schedule 6	The licensee may with the written agreement of the	NR	4	The audit confirmed with GWC's CEO that over the audit period there was no discontinuation of the service due to the	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 (1=significantly non- compliant , 2=non-compliant, 3 =compliant/major action, 4=compliant/minor action, 5=fully compliant, N/A = not applicable, N/R = not rated)
		Clause 2.3	property owner discontinue a service where it is not commercially viable.			service not being commercially viable.	

3.4 Recommended Changes to the Licence

No changes to the licence are considered necessary.

3.5 Conclusion

Through the execution of the Audit Plan and assessment and testing of the control environment, the information system, control procedures and compliance attitude, the audit team members have gained reasonable assurance that GWC has complied with its Water Services Operating Licence performance and quality standards and obligations during the audit period 1st May 2011 to 30th April 2013.

The audit reviewed the action taken on the previous audit recommendations in the audit report dated August 2011 and confirmed that all of the 14 previous recommendations had been implemented.

The following improvements were recommended in this audit:

- Reviews and update the Customer Complaints Procedure Manual in order to align it with the customer complaints handling requirements of the licence.
- Where a final response to the complainant cannot be provided within 15 business days of receipt of a complaint, the officer handling the complaint should respond within 15 business days by written communication to the complainant.
- Ensures that if a dispute has not been resolved within 15 business days, the customer is informed of the option of referring their complaint to the Department of Water.
- Reviews the figures in the “Days taken to close complaint” column of the Complaints Register to ensure correct entries.
- Updates the Complaints Register in order to enable monitoring and recording of outcomes to complaints (i.e. add another column).
- Ensures the newsletters are accessible through GWC’s website.

The audit confirmed that GWC has fully complied with its information reporting obligations for the period 1st July 2010 to 30th June 2012.

The audit made several recommendations to GWC to improve the strength of its internal controls over its complaints handling obligations. Otherwise, the control environment is considered to be effective.

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

Gascoyne Water Cooperative Limited

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

Asset Management System Review – Detailed Report

Report

July 2013

4. Asset Management System Review

The effectiveness of GWC's asset management system was assessed using the asset management system process and policy definitions ratings and the performance ratings (refer section 2.6) as provided by the Authority in the Audit Guidelines.

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

4.2 Previous Review Recommendations

The status of the key recommendations in the previous audit report issued in August 2011 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 Planning Plans are regularly reviewed and updated.	<p>The Strategic Plan has not been reviewed since 2004.</p> <p>The Asset Management Plan was compiled in July 2004 and has not been updated since.</p> <p>Business Plan has not been reviewed since 2004.</p>	B, 2	<p>Management should ensure that the Strategic Plan is reviewed and updated on a regular basis.</p> <p>Management should ensure that the Asset Management Plan is reviewed and updated on a regular basis.</p> <p>Management should ensure that the Business Plan is reviewed and updated on a regular basis.</p>	<p>Much strategic planning has been carried out recently, particularly in relation to the pipeline replacement project and the new borefield. However this has not been conducted in a formal manner. A file will be created which outlines relevant strategic plans.</p> <p>We are in the process of replacing the main pipeline. We have commissioned the Project Engineer to draw up a new Asset Management Plan which is relevant for the new system.</p> <p>Review of the Business Plan will</p>	<p>Strategic, Business and Asset Management Plans (AMP) have been reviewed by the Boards of Gascoyne Water Co-operative Limited (GWC) and Gascoyne Water Asset Mutual Co-operative Limited (GWAMCO) at a combined workshop on 21 June 2012.</p> <p>The AMP has review procedures stated, including internal review every two years and external review every three years as per the licence requirement. The AMP was approved by the Board on 27 September 2012. The next review of the AMP is due in September 2014.</p>	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
					<p>be included on the Management Calendar.</p> <p><i>CEO/ Board of Management</i></p> <p><i>December 2011 and ongoing</i></p>	<p>The Strategic Plan and Business Plan are being reviewed annually by the Board and modifications made as required. The Strategic Plan 2012-2020 and the Business Plan 2012-2014 were approved by the Board on 27 September 2012 with the previous Board review in March 2013.</p> <p>GWC maintains a Compliance and Reporting Schedule, which is being reviewed monthly at GWC's Board meetings. The audit confirmed that reviews of the AMP, Strategic Plan and Business Plan are included in the Schedule.</p> <p>GWC also maintains an Asset Management System (AMS)</p>	

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
						Improvements and Action Plans Register. All outstanding items relating to either the AMS or the AMP are recorded in this register for follow up. The register details the name of the person responsible for the follow up action and the expected completion date.	
2.2	Asset Creation/ Acquisition Commissioning tests are documented and completed. Ongoing legal/ environmental/ safety obligations of the asset owner are assigned and understood.	A combined policy and procedure document for asset creation and acquisition was compiled. The document does address 3 of the 5 effectiveness criteria on a very basic level. However, it does not: <ul style="list-style-type: none"> ○ Address these 3 criteria in adequate detail; and ○ Contains no reference to commissioning tests nor legal/ environmental/ safety obligations. 	B, 2	The policy and procedures should be addressed in separate documents. The policy document should be based upon the "Outcome" as stipulated in Table 16 on page 38 of the Audit Guidelines: Electricity, Gas and Water Licences. The procedures should address the "Effectiveness criteria" as stipulated in Table 16 on page 38 of the Audit Guidelines: Electricity, Gas and Water Licences.	We are in the process of compiling separate policy and procedure documents for asset creation and acquisition. We will ensure such documents are compiled in accordance with the Authority guidelines. CEO January 2012	Separate Asset Creation and Acquisition Policy and Procedures documentation has been developed in the new AMS for GWC. Existing Assets are replaced at the end of their useful life in accordance with GWAMCO's Capital Expenditure Plan 2013-2062. However, the audit was advised that the Plan needs to be updated for	PARTIALLY COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
						asset renewal incorporating life cycle costing. Audit acknowledges that this is already recorded as an action item in GWC's AMS Improvements and Action Plan. <i>(Post Audit Implementation Plan 2.4)</i>	
2.3	Asset Disposal Under-utilised and under-performing assets are identified as part of a regular systematic review process. The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken. Disposal alternatives are evaluated. There is a replacement strategy for assets.	A short summary, included in the combined policy and procedure document for asset creation/acquisition deal with asset disposals. However, it is neither a policy document nor a detailed procedure document.	C, 2	The policy and procedures should be addressed in separate documents. The policy document should be based upon the "Outcome" as stipulated in Table 16 on page 38 of the Audit Guidelines: Electricity, Gas and Water Licences. The procedures should address the "Effectiveness criteria" as stipulated in Table 16 on page 38 of the Audit Guidelines: Electricity, Gas and Water Licences.	We are in the process of compiling separate policy and procedure documents for asset disposal. We will ensure such documents are compiled in accordance with the Authority guidelines. CEO January 2012	Separate Asset Disposal Policy and Procedures documentation have been developed in the new AMS for Gascoyne Water. GWAMCO's Capital Expenditure Plan 2013-2062 in essence constitutes a basic replacement strategy. However, the audit was advised that the Plan needs to be updated for asset renewal incorporating life	PARTIALLY COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
						cycle costing. The audit acknowledges that this is already recorded as an action item in GWC's AMS Improvements and Action Plan. <i>(Post Audit Implementation Plan 2.4)</i>	
2.4	Environmental Analysis Performance standards (availability of service, capacity, continuity, emergency response, etc.) are measured and achieved.	Performance standards are identified in the Asset Management Plan. However, performance standards are not measured nor reported to the Board.	B, 2	Management should ensure measurement of, and reporting against performance standards is done on a regular basis.	We will systemise the measurement and reporting of environmental performance standards to ensure this is done routinely. CEO October 2011	Performance standards are identified in the Asset Management Plan in the Asset Operations and Asset Maintenance sections. KPI's have been identified and are reported at the Boards monthly meetings in the Operations & Maintenance Performance Data spread sheet.	COMPLETED
2.5	Asset Operations Risk management is applied to prioritise operations tasks.	Risk management is not formally applied to prioritise operational tasks.	B, 3	Management should develop and document a formal process for the prioritisation of operational tasks which is based upon risk assessment.	Management at present prioritises operational tasks based on a rational assessment of risk,	Policy and Procedures have been developed for the prioritisation of operational tasks	PARTIALLY COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	<p>Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and accounting data.</p> <p>Operational costs are measured and monitored.</p>	<p>Asset register does not include the assessment of indicated asset's physical/structural condition.</p> <p>Operational costs are measured. However, due to changes in the accounting system, comparisons of budgeted versus actual expenditure did not occur for a significant portion of the financial year.</p>		<p>Asset register should include the assessment of assets' physical/structural condition.</p> <p>Actual expenditure should be compared against budgeted expenditure on a regular basis.</p>	<p>however this is neither formal nor documented. We will examine ways to formalise this in a practical manner.</p> <p>Management's current assessment is that the condition of the main asset is sub-standard and past it's intended lifespan. It is this reason that GWC is in the process of completely replacing it. GWC will implement a system for assessing the new asset's condition once it has been commissioned.</p> <p>GWC have started the 2011/2012 financial year with updated budgets for expenditure, and actual to budget expenditure reports will be examined monthly by the Management and the Board of Directors.</p>	<p>utilising risk assessment management in the new Gascoyne Water AMS.</p> <p>The revised Asset Registers for the old a-c pipeline, new HDPE pipeline and the Northern Borefield include asset physical/structural conditions.</p> <p>However, the audit was advised that the replacement cost of the new HDPE pipeline and the Northern Borefield Asset Registers is based on an actual purchase price and needs to be replaced to reflect life cycle costing. The audit acknowledges that this is already recorded as an action item in GWC's AMS Improvements and Action Plan.</p>	

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
					CEO March 2012	<i>(Post Audit Implementation Plan 2.1)</i> The 2012/13 budgets have been approved by both Boards, 23 and 24 September 2012 and enable the reporting of actual versus budgeted expenditure for all operational income and expense items.	
2.6	Asset Maintenance Maintenance policies and procedures are documented and linked to service levels required. Risk management is applied to prioritise maintenance tasks. Maintenance costs are measured and monitored.	A maintenance plan is included in the Asset Management Plan. However, it does not constitute a policy document and disclose inadequate detail of the procedures to be undertaken. Risk management is not formally applied to prioritise maintenance tasks. Maintenance costs are measured. However, due to changes in the accounting system, comparisons of budgeted versus actual expenditure did not	C, 3	A separate policy document and procedures document should be compiled for asset maintenance. The policy document should be based upon the "Outcome" as stipulated in Table 16 on page 39 of the Audit Guidelines: Electricity, Gas and Water Licences. The procedures document should address the "Effectiveness criteria" as stipulated in Table 16 on page 39 of the Audit Guidelines: Electricity, Gas and Water Licences. Management should develop and document a formal	We are in the process of compiling separate policy and procedure documents for asset maintenance. We will ensure such documents are compiled in accordance with the Authority guidelines. Management at present prioritises operational tasks based on a rational assessment of risk, however this is neither formal nor	Separate Policy and Procedures documentation has been compiled in the new AMS for Asset Maintenance. The new AMS prioritises maintenance tasks based on a risk assessment. The accounting software package (QuickBooks) used by GWC and GWAMCO, is not capable of collecting internal maintenance costs, therefore a	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
		occur for a significant portion of the financial year		process for the prioritisation of maintenance tasks which is based upon risk assessment. Actual expenditure should be compared against budgeted expenditure on a regular basis.	documented. GWC will examine ways to formalise this in a practical manner. GWC have started the 2011/2012 financial year with updated budgets for expenditure, and actual to budget expenditure reports will be examined monthly by the Management and the Board of Directors. CEO April 2012	separate maintenance spreadsheet is maintained for the collection and reporting of actual versus budgeted items of maintenance labour and material expenses.	
2.7	Asset Management Information System Adequate system documentation for users and IT operators. Input controls include appropriate verification and validation of data entered into the system. Management reports appear adequate for	All staff has access to edit property details which will indirectly amend the asset register. Data input into the system is not checked independently for accuracy and completeness. GWC does not compile any performance reports specifically nor management reports, in general, to assist	B, 3	Access to edit property details should be restricted. Management should ensure that independent checking is done to ensure data entered into the system is accurate and complete. Management should develop a reporting process to monitor GWC's compliance with their licence obligations. The server should be kept in a locked room to improve physical security therefore.	Access to edit property details is restricted to administrative staff and controlled through passwords. GWC will review its permissions to ensure the data is as safe as practical, whilst allowing staff to carry out their responsibilities. The new irrigation scheme comes	The network and the property details register are password protected and are accessible only by GWC's CEO and other authorised staff. With the employment of a new office assistant the office manager and CEO are now able to ensure data is independently	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	the licensee to monitor licence obligations.	with monitoring of licence obligations (as per CEO). The server is not kept in a locked room.			complete with electronic recording of water usage via radio signal. This data will be cross-checked when billing is carried out. We will carry out manual reading of meters on a regular basis, as often as is necessary to ensure the data being recorded is correct. Management will examine methods for monitoring GWC's compliance with license obligations. We will install a lock on the door of the room where the server is located. CEO November 2011	checked. An Outlook calendar and the Authority reporting spreadsheet are maintained to ensure GWC meets its licence reporting requirements. The servers are now kept in a locked room with access limited to the CEO and Office Manager. Data is now backed up daily and the latest backup is removed from site each evening (except weekends). The AMS no longer utilises Greenbase to manage the asset register or any other aspects of the AMS other than grower property details.	
2.8	Risk Management Risks are documented in a risk register and	Risk Management Policy, Risk Register and Risk Record have not been reviewed	C, 3	Management should ensure the policy and relevant documents associated with risk management is reviewed	Management will include a scheduled revision of the Risk Management Policy	Extensive risk management policies and procedures have	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	<p>treatment plans are actioned and monitored.</p> <p>The probability and consequences of asset failure are regularly assessed.</p>	<p>since 2004.</p> <p>No formal risk treatment plans exist.</p>		<p>and updated on a regular basis.</p> <p>Management should ensure that risk treatment plans are compiled, actioned and monitored.</p>	<p>and relevant documents in our shared Microsoft Outlook calendar. A hard copy will be printed out and kept on record as often as necessary.</p> <p>Management will ensure that risk treatment plans are compiled, actioned and monitored.</p>	<p>been developed for the Strategic, Business, Asset Operations, Asset Maintenance and Contingency Plans in GWC's new AMS.</p> <p>A risk register has been developed and is maintained in the new AMS.</p>	
2.9	<p>Contingency Planning</p> <p>Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.</p>	<p>Contingency Plan has not been reviewed since 2004.</p> <p>Responsibilities of each key member of personnel in the event of any incident are not documented.</p> <p>The Contingency Plan has not been formally tested to ensure operating effectiveness.</p>	C, 3	<p>Management should ensure the contingency plan is reviewed on a regular basis.</p> <p>Management should ensure that the contingency plan clearly documents the responsibility of each key member of personnel in the event of any incident.</p> <p>The contingency plan should be tested, on a regular basis, for operating effectiveness.</p>	<p>Management will include a scheduled revision of the Contingency Plan in our shared Microsoft Outlook calendar. A hard copy will be printed out and kept on record as often as necessary.</p> <p>Management will ensure the Contingency Plan clearly documents the responsibility of each key member of personnel in the event of any incident.</p> <p>Management will</p>	<p>The new AMS includes a Contingency Planning Policy and Procedure. The new AMS was approved by GWC's Board on 27 September 2012.</p> <p>Contingency Plans have been developed, risk management utilised and staff responsibilities are defined in the assessment of the probability and consequences of failures associated with the old a-c</p>	PARTIALLY COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
					<p>test the contingency plan, on a regular basis, for operating effectiveness.</p> <p>CEO October 2011</p>	<p>pipeline, new HDPE pipeline and the Northern Borefield.</p> <p>The audit considers the contingency plans are adequate.</p> <p>Testing of individual components of the contingency plan has relied on practical application to actual incidents that have arisen and the positive outcomes resulting, have proved the effectiveness of the contingency planning.</p> <p>However, there is currently no process in place to formally test all of the contingency plans on a regular basis.</p> <p><i>(Post Audit Implementation Plan item 2.2)</i></p>	

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
2.10	<p>Financial Planning</p> <p>The financial plan states the financial objectives and strategies and actions to achieve the objectives.</p> <p>The financial plan identifies the source of funds for capital expenditure and recurrent costs.</p> <p>The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).</p> <p>The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period</p> <p>The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the</p>	<p>An 8 year cash flow forecast is maintained. This document covers the period 2011/12 to 2018/19. Furthermore, a 100 year cash flow calculation was compiled across the 4 major asset groups in July 2011. However, these documents do not meet the effectiveness criteria specified.</p> <p>Due to changes in the accounting system, comparisons of budgeted versus actual income/expenditure did not occur for a significant portion of the financial year. This matter is still not resolved.</p>	C, 3	<p>A comprehensive financial plan should be developed. This Plan should address the "Effectiveness criteria" as stipulated in Table 16 on page 41 of the Audit Guidelines: Electricity, Gas and Water Licences.</p> <p>Actual items of income and expenditure should be compared against budgeted items of income and expenditure respectively, on a regular basis.</p>	<p>Much financial planning has been carried out recently, however this has not been formally documented apart from the eight year cash flow forecast and 100 year asset replacement programme. Management will ensure financial plans are well documented once finalised.</p> <p>Management have started the 2011/2012 financial year with updated budgets for expenditure, actual to budgeted income and expenditure reports will be examined monthly by the Management and the Board of Directors.</p> <p>We will develop a comprehensive financial plan that addresses the effectiveness criteria in the Audit</p>	<p>A comprehensive Financial Plan has been developed as part of the new AMS.</p> <p>GWC's Cashflow Forecast 2011/12 – 2021/22 includes Operating Statements (P&L) until 2021/22. However, there are no projected Statements of Financial Position.</p> <p><i>(Post Audit Implementation Plan 2.3)</i></p> <p>Comprehensive financial reports are developed by GWC's appointed Accountant. Operating and Capital Budgets are prepared and reviewed by both Boards.</p> <p>The accounting software package (QuickBooks) used by GWC and GWAMCO, is not capable of</p>	PARTIALLY COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	<p>services.</p> <p>Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.</p>				<p>Guidelines.</p> <p>CEO</p> <p>October 2011/ April 2012</p>	<p>collecting internal maintenance costs, therefore a separate maintenance spreadsheet is maintained for the collection and reporting of actual versus budgeted items of maintenance labour and material expenses.</p>	
2.11	<p>Capital Expenditure Planning</p> <p>There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.</p> <p>The plan provides reasons for capital expenditure and timing of expenditure.</p> <p>The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.</p>	GWC does not have a generic capital expenditure plan.	D, 3	A comprehensive capital expenditure plan should be developed. This Plan should address the "Effectiveness criteria" as stipulated in Table 16 on page 41 of the Audit Guidelines: Electricity, Gas and Water Licences.	<p>GWC recent capital expenditure is mostly related to the replacement of the main pipeline. This whole process has been well documented. Management will ensure that all future capital expenditure is also well documented, and that it addresses the "Effectiveness Criteria" as stipulated in the Authority guidelines.</p> <p>CEO</p>	<p>Capital Expenditure plans have been reviewed by both Boards on 21 June 2012.</p> <p>GWAMCO's Capital Expenditure Plan 2013-2062 was developed using the Capital Budget template as supplied by the Authority and this in essence does constitute a basic replacement strategy.</p> <p>However, the audit was advised that the Plan needs to</p>	PARTIALLY COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.				January 2012/ ongoing	be updated for asset renewal incorporating life cycle costing. Audit acknowledges that this is already recorded as an action item in GWC's AMS Improvements and Action Plan. <i>(Post Audit Implementation Plan 2.4)</i>	
2.12	Review of AMS A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.	A review process is not in place for the Asset Management Plan.	C, 3	Management should institute a review process for the Asset Management Plan which is repeated at regular intervals.	Management will include a scheduled revision of the Asset Management Plan in our shared Microsoft Outlook calendar. A hard copy will be printed out and kept on record as often as necessary.	The new Asset Management System has been reviewed and approved by GWC at Meeting No 133 on 27 September 2012. Policy and procedures have been developed to ensure the Boards review the AMS every two years. Although, the audit was satisfied that the review process is in place to ensure that the AMP and the AMS are kept	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
						<p>current, the review process could be improved by updating the AMS Review section of the AMP for the requirement to notify the Authority of any (significant) changes to the asset management system within 10 business days.</p> <p><i>(Post Audit Implementation Plan item 2.5)</i></p>	

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.	<p>The Asset Management Plan (AMP) approved 27 September 2012 that creates part of the Gascoyne Water Co-operative's (GWC) Asset Management System document has considered the needs of stakeholders and the various licencing requirements.</p> <p>GWC's Strategic Plan 2012-2020 (approved 27 September 2012) and GWC's Business Plan 2012-2014 (approved 27 September 2012 with the latest revision date being 11 April 2013) are designed to meet the needs of all stakeholders.</p>			
1.2	Service levels are defined.	Service levels are stated in the Asset Management Plan and the Customer Service Charter.			
1.3	Non-asset options (e.g. demand management) are considered.	The entire scheme is demand-based but non-asset options such as demand management are considered.			
1.4	Lifecycle costs of owning and operating assets are assessed.	<p>Expected GWC maintenance and operations activity over the 5 year period are detailed in GWC's Operations and Maintenance Expenditure 2011-2016, incorporating elements of life cycle costing into the budget figures.</p> <p>GWC has developed a Gascoyne Water Cashflow Forecast 2011/12 – 2021/22 that provides predictions of income and expenditure until 2021/22.</p> <p>Existing Assets are replaced at the end of their useful life. The Gascoyne Water Asset Mutual Co-operative's (GWAMCO) Capital Expenditure Plan 2013-2062 in essence constitutes a basic replacement strategy. However, the audit was advised that the Plan needs to be updated for asset renewal incorporating life cycle costing. Audit acknowledges that this is already recorded as an action item in GWC's Asset Management System (AMS) Improvements and Action Plan.</p> <p><i>Refer recommendation in 11.1 below.</i></p>			
1.5	Funding options are evaluated.	GWC's Financial Plan in the AMS identifies the sources of funds for capital expenditure and recurrent costs. GWC budgets for recurrent (operations and maintenance) expenditure, whilst all capital expenditure is supplied by GWAMCO from its Asset Maintenance and Renewal levy charged to all members.			

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>The annual fixed charges for both GWAMCO and GWC are designed to cover overheads, including general repairs and maintenance.</p> <p>The variable charge covers costs that fluctuate depending on water usage, mainly electricity charges for pumping.</p> <p>The annual asset contribution is designed to replace the assets, as and when required. This charge has always been in place, and has basically been the source of the contribution towards the current pipeline replacement project. It will continue with the same objective. Other funding options are considered by GWC as the need arises.</p>			
1.6	Costs are justified and cost drivers identified.	GWC has developed a Gascoyne Water Cashflow Forecast 2011/12 – 2021/22 that provides predictions of income and expenditure until 2021/22. Cost drivers are identified and commented upon in GWC's Annual Report each year.			
1.7	Likelihood and consequences of asset failure are predicted.	<p>The new AMS includes a Risk Management Policy and Procedure. Risk assessments have been completed for various events that may occur from failure of system assets, irrigation operation and farm practices. The Risk Register for the Carnarvon Irrigation System has been developed and maintained in the new AMS.</p> <p>The audit concluded that the risk management assessment and treatment plans (policy and procedure) are in keeping with the needs of the infrastructure.</p>			
1.8	Plans are regularly reviewed and updated.	<p>The AMP has review procedures stated, including internal review every two years and external review every three years as per the licence requirement. The AMP was approved by the Board on 27 September 2012. The next review of the AMP is due in September 2014.</p> <p>The Strategic Plan and Business Plan are being reviewed annually by the Board and modifications made as required. The Strategic Plan 2012-2020 and the Business Plan 2012-2014 were approved by the Board on 27 September 2012 with last reviewed by the Board being in March 2013.</p> <p>GWC maintains a Compliance and Reporting Schedule, which is being reviewed monthly at GWC Board meetings. The audit confirmed that reviews of AMS & AMP, Strategic Plan and Business Plan are included in the Schedule.</p> <p>GWC also maintains an AMS Improvements and Action Plans Register. All outstanding items relating to either the AMS or the AMP are recorded in this register for follow up. The register details the name of the person responsible for the follow up action and the expected completion date.</p>			
2	ASSET CREATION/ ACQUISITION	Process Rating	B	Performance Rating	2
2.1	Full project evaluations are undertaken for new assets, including comparative	The new AMS includes an Asset Creation Policy and Procedure. In accordance with the procedure, new assets may only be acquired if approved at the appropriate level of authorisation and justified either by system efficiency and/or			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	assessment of non-asset solutions.	<p>cost effectiveness and recuperation. Non-asset options such as demand management are considered.</p> <p>Capital Projects fall into one of two categories:</p> <p>A) <u>Expansion projects</u> - new pipelines, new spurs (such as the supply of water to the race course or golf club), pumping stations or Borefield expansion.</p> <p>B) <u>Systems improvements</u> – the upgrading of existing services such as providing large pipelines or replacement of existing SCADA systems with a technologically superior or new service installation.</p> <p>All new assets that are acquired, created or replaced are recorded in the Asset Acquisition, Creation and Replacement Register.</p>			
2.2	Evaluations include all life-cycle costs.	<p>The Business Case for the Upgrade of the Gascoyne Irrigation Pipeline assessed all life cycle costs.</p> <p>Existing Assets are replaced at the end of their useful life. GWAMCO's Capital Expenditure Plan 2013-2062 in essence constitutes a basic replacement strategy. However, the audit was advised that the Plan needs to be updated for asset renewal incorporating life cycle costing. Audit acknowledges that this is already recorded as an action item in GWC's AMS Improvements and Action Plan.</p> <p><i>Refer recommendation in 11.1 below.</i></p>			
2.3	Projects reflect sound engineering and business decisions.	The Business Case for the Upgrade of the Gascoyne Irrigation Pipeline reflects sound engineering and business decision.			
2.4	Commissioning tests are documented and completed.	The audit confirmed that commissioning tests are documented and completed for new asset acquisitions.			
2.5	Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	Responsibilities are assigned through GWC's operating structure and are further defined in the AMS.			
3	ASSET DISPOSAL	Process Rating	B	Performance Rating	2
3.1	Under-utilised and under-performing assets are identified as part of a regular systematic review process.	<p>The new GWC's AMS includes an Asset Disposal Policy and Procedure. The plan is basically to dispose of assets at the end of their economic or physical life cycle or when under-utilised or under-performing.</p> <p>Under-utilised and under-performing assets are being identified as part of daily inspections of pipeline and service points. All assets that require work done are reported to Administration Officer and recorded on a Work Order.</p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<p>Condition of assets is recorded in the Asset Register.</p> <p>Assets are identified as redundant, underperforming or requiring replacement based on the following criteria:</p> <ul style="list-style-type: none"> • high levels of maintenance due to poor performance • high levels of maintenance cost as compared to budget • high failure rates (Mean Time Before Failure (MTBF) is declining) • No longer required as in service connection. <p>The Asset Manager, by comparing actual against budgeted cost of maintaining the assets, is able to identify those assets that require replacement, refurbishment or disposal due to the elevated maintenance costs associated with these assets. This can also be monitored by evaluating the Mean Time Before Failure (MTBF) for common asset types. As the MTBF decreases this becomes a signal to investigate the causes of failure and the remedial actions required.</p>
3.2	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	Each asset identified as redundant, underperforming or requiring replacement is initially examined to see if alternative measures can be taken to restore its performance or utilisation before instigating disposal measures.
3.3	Disposal alternatives are evaluated.	<p>Suitable methods of disposal are evaluated taking into account:</p> <ul style="list-style-type: none"> • Health risks-as in asbestos products • Environmental impacts • Cost of disposal • Type of disposal <ul style="list-style-type: none"> ➢ Dumping ➢ Sale/Auction ➢ Recycling ➢ In-situ Burial <p>Where health and or environmental risks are present, relevant Government agencies may require notification and approval of the asset disposal.</p> <p>Capital assets with a value greater than \$100,000 require the approval of the relevant Board for their disposal and the manner in which the assets are disposed. Disposal of assets of a lesser value can be approved by the CEO.</p> <p>An Asset Disposal Register is maintained by the Asset Manager.</p>
3.4	There is a replacement strategy for assets.	Gascoyne Water Asset Mutual Co-operative Ltd (GWAMCO) holds the assets and Gascoyne Water Co-operative Ltd (GWC) is the operator.

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<p>Assets are replaced at the end of their useful life. The GWAMCO's Capital Expenditure Plan 2013-2062 in essence constitutes a basic replacement strategy. However, the audit was advised that the Plan needs to be updated for asset renewal incorporating life cycle costing. Audit acknowledges that this is already recorded as an action item in GWC's AMS Improvements and Action Plan.</p> <p>Refer recommendation in 11.1 below.</p>			
4	ENVIRONMENTAL ANALYSIS	Process Rating	A	Performance Rating	1
4.1	Opportunities and threats in the system environment are assessed.	<p>The new AMS includes an Environmental Analysis Policy and Procedure.</p> <p>The Board of GWC regularly reviews external opportunities and threats as part of its Strategic Plan SWOT analysis. This review is carried out every two years and a reminder is logged in GWC's Compliance and Reporting Schedule.</p>			
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 with no exceptions reported for 2010/11 and 2011/12.</p> <p>Performance standards are identified in the Asset Management Plan and in the Asset Operations and Asset Maintenance sections of the AMS.</p> <p>KPI's have been identified and are reported at the Boards monthly meetings in the Operations & Maintenance Performance Data spread sheet. These KPI's include:</p> <ul style="list-style-type: none"> ○ Number of bursts ○ No of unplanned notices for emergency shutdowns ○ No of planned interruptions with 5 business day notice ○ No of Customer Complaints resolved in 15 days ○ Percentage of Customers notified of supply of non-potable water ○ No of remaining connections to new pipeline. <p>Due to the two year warranty/defects period pertaining to the new pipeline, maintenance KPI's are not reported to the Boards until the expiry of the defects period. Any defects relating to the new pipeline are recorded in the Defects Tracking Register. At the conclusion of the defects period on 19 February 2014, routine and planned maintenance KPIs will be reported to the Boards.</p>			
4.3	Compliance with statutory and regulatory requirements.	<p>Compliance requirements are identified in GWC's Operations Action Plan & Risk Assessment spreadsheet.</p> <p>In addition a Master Compliance & Reporting Schedule is also maintained to assist in identifying key compliance activities and dates. All compliance requirements identified in the Operations Action Plan are contained in the Compliance & Reporting Schedules. The Compliance & Reporting Schedule is tabled monthly at Board Meetings.</p> <p>Compliance with statutory and regulatory requirements is confirmed through the annual reporting submitted to the</p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Authority.			
4.4	Achievement of customer service levels.	<p>Service levels are identified in the Gascoyne Water Customer Service Charter and the Operations Action Plan and Risk Assessment spreadsheet. Performance reporting to the Authority over the audit period indicates that service levels are being achieved with no exceptions reported for 2010/11 and 2011/12.</p> <p>Audit confirmed that GWC's tax invoice template to customers includes the following note "Please Note: All water supplied is for irrigation purpose and is non-potable and not suitable for drinking".</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.</p> <p>All customer complaints are registered in the Customer Complaints Register in accordance with GWC's Customer complaints Procedure. All hard copy correspondence and complaint forms are located in the Customer Complaints Folder.</p> <p>A register of all customer service disruptions, whether planned, unplanned or emergency, is also being maintained in accordance with the Service Disruptions Policy and Procedure.</p>			
5	ASSET OPERATIONS	Process Rating	B	Performance Rating	2
5.1	Operational policies and procedures are documented and linked to service levels required.	GWC's Asset Operations Policy and Procedures are documented in the AMS and are linked to service levels required. GWC's Work Order/Request Policy and Procedures are also documented in the AMS.			
5.2	Risk management is applied to prioritise operations tasks.	Risk assessments have been completed for various operations tasks and are included in the Operations Action Plan and Risk Assessment spreadsheet in the AMP and in the Asset Maintenance Risk Register for the Carnarvon Irrigation System. These have been considered in prioritising operational and maintenance tasks.			
5.3	Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and accounting data.	<p>The revised Asset Registers for the old a-c pipeline, new HDPE pipeline and the Northern Borefield include all the necessary information including the asset physical/structural conditions.</p> <p>However, the audit was advised that the replacement cost in the new HDPE pipeline and the Northern Borefield Asset Registers is based on an actual purchase price and needs to be replaced to reflect life cycle costing. Audit acknowledges that this is already recorded as an action item in GWC's AMS Improvements and Action Plan.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Update the replacement cost in the new HDPE pipeline and the Northern Borefield Asset Registers to reflect life cycle costing (this is already recorded as an action item in GWC's AMS Improvements and Action Plan). <p><i>(Post Audit Implementation Plan 2.1)</i></p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
5.4	Operational costs are measured and monitored.	The 2012/13 budgets have been approved by both Boards on 23 and 24 September 2012 and enable the reporting of actual versus budgeted expenditure for all operational income and expense items. Operational cost reports for 2012/13 were reviewed in the audit and the audit confirmed that the Board does review these reports per Minutes of meetings.			
5.5	Staff receive training commensurate with their responsibilities.	Training is provided on a 'needs basis'. The CEO is responsible to ensure that all staff attend refresher courses when due. All technical staff (field workers) are qualified welders and possess appropriate qualifications. Training records are kept for each individual staff member and these were sighted during the audit.			
6	ASSET MAINTENANCE	Process Rating	A	Performance Rating	1
6.1	Maintenance policies and procedures are documented and linked to service levels required.	The Routine & Planned Maintenance Policy and Procedures are documented in the new AMS and are linked to the service level as per GWC's Customer Service Charter.			
6.2	Regular inspections are undertaken of asset performance and condition.	Regular inspections are carried out in accordance with the Master Routine Maintenance Schedule.			
6.3	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	<p>Routine maintenance activities for all GWC controlled asset are detailed in the Master Routine Maintenance Schedule. The master schedule defines those tasks that require weekly, monthly and 6 monthly maintenance. The Operations and Maintenance (O&M) Supervisor is responsible for the programming of these activities.</p> <p>The Planned Work Register of all planned, corrective and preventative activities is maintained by the Asset Manager and the O&M Supervisor. It contains those maintenance activities that require major works, shutdowns requiring notification to Members or tasks that need to be recorded for future action (scheduling during periods of low water demand). The Asset Manager and O&M Supervisor review the Planned Works Register at the start of each week and decide which activities and in what order of priority they should be addressed. All major bursts are actioned as a matter of priority and those Members/Customers that are affected by the burst are immediately notified (by GWC office staff) of the cause and anticipated duration of the remedial works required.</p> <p>All operations and maintenance staff complete weekly time sheets showing the work carried out, the Work Order No (if a chargeable or Warranty job) and maintenance codes used. All completed planned jobs are removed by the Asset Manager from the Planned Works Register and placed in the Completed Works Register.</p> <p>From site inspections of the visible assets and review of the maintenance records, the audit confirmed that maintenance activities were being well-maintained and assets were in good condition.</p>			
6.4	Failures are analysed and	Any faults or damage that are identified by routine activities are assessed by the O&M Supervisor on the following			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	operational/maintenance plans adjusted where necessary.	<p>basis:</p> <ul style="list-style-type: none"> a) Defects due to poor installation or faulty equipment on new pipeline and meters are made good under the Defects Warranty Procedures. b) Any works required that are not deemed warranty defects (clearing of weeds, equipment damaged by members etc) is either repaired at the time of inspection or entered into the Planned Works Register. <p>The Asset Manager and O&M Supervisor review the Planned Works Register at the start of each week and decide which activities and in what order of priority they should be addressed. All major bursts are actioned as a matter of priority and those members/customers that are affected by the burst are immediately notified (by GWC office staff) of the cause and anticipated duration of the remedial works required.</p>			
6.5	Risk management is applied to prioritise maintenance tasks.	Maintenance tasks are prioritised based on the Asset Maintenance Risk Register for the Carnarvon Irrigation System.			
6.6	Maintenance costs are measured and monitored.	<p>The accounting software package (QuickBooks) used by GWC and GMAMCO is not capable of collecting internal maintenance costs, therefore a separate maintenance spreadsheet is maintained for the collection and reporting of actual versus budgeted items of maintenance labour and material expenses. The audit acknowledged that GWC plans to investigate Contra Accounts to record labour costs against Maintenance account codes. This task is recorded as an action item in GWC's AMS Improvements and Action Plan.</p> <p>Comprehensive financial reports are developed by GWC's appointed Accountant. Operating and Capital Budgets are prepared and reviewed by the both Boards. Variations in actual and budget income and expenses are identified in monthly reports and reviewed by the CEO and the Board. Corrective action is taken where required.</p>			
7	ASSET MANAGEMENT INFORMATION SYSTEM	Process Rating	A	Performance Rating	1
7.1	Adequate system documentation for users and IT operators.	<p>The new AMS includes an Asset Management Information System Policy and Procedure.</p> <p>GWC utilises the following information systems via its main server:</p> <ul style="list-style-type: none"> • ET - a built for purpose software package, with input from an additional programme (Rieta) is used to perform the following functions: <ul style="list-style-type: none"> ○ Recording all Member information including addresses, contact details, share registry information; and ○ Storage and calculation of monthly water usage data for Members and Customers resulting from monthly meter reads and the generation of monthly meter reading sheets and water statements. 			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<ul style="list-style-type: none"> • QuickBooks - accounting package (cloud programme), which stores all financial data required to meet the Co-operatives taxation and compliance requirements, such as budgeting, invoicing, recording debtors and creditors, inventory control, purchase orders, works orders, provision of management reports for the Boards/Accountant and Auditor. • P Drive: Server based electronic filing system utilising the MS Office Suite of standard functions which are used to store all Asset Management data including the asset register and all GWC's Policies and Procedures. <p>ET was initially set up to perform all functions required to operate GWC, that is: member details, water usage, invoicing, inventory control, work orders, and asset management. Circa in 2009, the GWC Board resolved that GWC would no longer support ET via Greenbase (software designer and maintainer of ET) and would introduce the use of QuickBooks to facilitate all invoicing, inventory and accounting functions.</p> <p>Policy and procedures for operating ET are contained in P Drive Folder. QuickBooks has its own on-line help facilities and GWC's Accountants provide advice and assistance as required.</p>
7.2	Input controls include appropriate verification and validation of data entered into the system.	<p>Due to the small number of staff employed by GWC, inputting of data is essentially managed and controlled by the CEO and Office Manager.</p> <p>Office Assistants (OA) are trained by the Office Manager on each function they are required to carry out that involves direct inputting into ET, Rieta, QuickBooks and P Drive systems. Office procedures are also given to the OA's to ensure they follow instructions accurately. It is not feasible for a second person to check the data input but review of reports produced would highlight any significant input errors.</p> <p>All Asset Management System inputting is controlled by the CEO.</p>
7.3	Logical security access controls appear adequate, such as passwords.	Access to GWC's IT systems (including ET and QuickBooks) is password controlled. Each employee has their own unique password and cannot access any other computer other than their own. All administration employees, once entered into GWC computer system, have full access to the shared drive data.
7.4	Physical security access controls appear adequate.	Buildings are locked and have monitored alarms when they are not attended. The servers are now kept in a locked room with access limited to the CEO and Office Manager.
7.5	Data backup procedures appear adequate.	Data is backed up daily and the latest backup is removed from site each evening (except weekends).
7.6	Key computations related to licensee performance reporting are materially accurate.	Computations use the model provided by the Authority. The audit review indicates the calculations are materially accurate.

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
7.7	Management reports appear adequate for the licensee to monitor licence obligations.	GWC maintains the GWC Compliance and Reporting Schedule to ensure that GWC meets its licence reporting requirements. The audit was advised that the Schedule is being reviewed and discussed during the combined field and office staff meetings once a month, as well as by the GWC Board at its monthly meetings.			
8	RISK MANAGEMENT	Process Rating	A	Performance Rating	1
8.1	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	<p>The new AMS includes a Risk Management Policy and Procedure. Risk assessments have been completed for various events that may occur from failure of system assets, irrigation operation and farm practices. The Risk Register for the Carnarvon Irrigation System has been developed and maintained in the new AMS.</p> <p>GWC's Business Risk Register is maintained as part of GWC's Business Plan 2012-2014. A Business Risk Record exists for each identified risk as part of the Business Plan.</p> <p>GWC's Strategic Risk Assessment and Management Plan is maintained as part of GWC's Strategic Plan 2012-2020 and considers risk and control measures to strategic objectives and strategic goals.</p> <p>The audit concluded that the risk management assessment and treatment plans (policy and procedure) are in keeping with the needs of the infrastructure.</p>			
8.2	Risks are documented in a risk register and treatment plans are actioned and monitored.	Risks and treatment plans are documented in GWC's Risk Register for the Carnarvon Irrigation System maintained in the new AMS. GWC's Business Risk Register is maintained as part of GWC's Business Plan 2012-2014. GWC's Strategic Risk Assessment and Management Plan is maintained as part of GWC's Strategic Plan 2012-2020.			
8.3	The probability and consequences of asset failure are regularly assessed.	The probability and consequences of asset failure have been assessed and are included in the risk assessment in the AMS. The risks are reviewed at least every two years when the AMS is reviewed. The AMP was approved by the Board on 27 th September 2012. The next review of the AMP is due in September 2014.			
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 new AMS includes a Contingency Planning Policy and Procedure. Contingency Plans have been developed, risk management utilised and staff responsibilities defined in the assessment of the probability and consequences of failures associated with the old a-c pipeline, new HDPE pipeline and the Northern Borefield. The audit considers the contingency plans are adequate.</p> <p>The new AMS was approved by the GWC Board on 27 September 2012. Testing of individual components of the contingency plan has relied on practical application to actual incidents that have arisen and the positive outcomes</p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<p>resulting have proved the effectiveness of the contingency planning. However, there is currently no process in place to formally test all of the contingency plans on a regular basis.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> All contingency plans need to be regularly tested, such as by an annual desktop review of the plan by the key participants, and discussion of potential scenarios. Evidence of the test and any action to be taken needs to be maintained. <p>(Post Audit Implementation Plan item 2.2)</p>			
10	FINANCIAL PLANNING	Process Rating	B	Performance Rating	2
10.1	The financial plan states the financial objectives and strategies and actions to achieve the objectives.	<p>The GWC's Strategic Plan 2012-2020 and GWC's Business Plan 2012-2014 outlines GWC's key goals and strategies to achieve.</p> <p>The GWC's Financial Plan in the AMS outlines the financial objectives, strategies and actions to achieve the objectives.</p> <p>The GWC's Financial Plan states the financial objectives of both GWC and Gascoyne Water Asset Mutual Co-operative (GWAMCO) are in line with their Strategic Objectives and Business Plans. Namely to raise sufficient income from the sale of water to our Members in order to meet production, operations, maintenance and long term replacements costs of the Co-operative's assets at the lowest achievable price.</p> <p>GWC is essentially a service provider to GWAMCO. Under its current Rules, GWC's primary activity "is the provision of water distribution and supply services to its members". Therefore GWC's strategic objective is not to own any of the distribution assets used to supply water to members. All income derived by GWC is taxable and all expenses are tax deductible.</p> <p>GWAMCO, under its current Rules has its primary activity defined as: "Owning, financing and controlling irrigation assets within the Carnarvon Irrigation District and making suitable arrangements for the delivery of irrigation water within the District". GWAMCO is structured as a Mutual Co-operative and has tax free income from its member contributions. Therefore, GWAMCO holds the assets and GWC is the operator.</p> <p>The long term objective financially is not to make a profit, but to set pricing to ensure that all costs are covered, including servicing and replacement of the assets.</p>			
10.2	The financial plan identifies the source of funds for capital expenditure and recurrent costs.	<p>GWC's Financial Plan in the AMS identifies the sources of funds for capital expenditure and recurrent costs. GWC budgets for recurrent (operations and maintenance) expenditure, whilst all capital expenditure is supplied by GWAMCO from its Asset Maintenance and Renewal levy charged to all Members.</p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<p>The Co-operatives have the following sources of income:</p> <ul style="list-style-type: none"> ➤ GWAMCO: Annual asset contribution: \$1,900 per member. Annual fixed charge: \$0.07 per kilo litre (KL) of allocation ➤ GWC: Annual fixed charge: \$0.10 per KL of allocation Variable charge: \$0.07 per KL actually used. <p>GWC then have a series of penalty charges for over-use, though this does not materially affect GWC's financial situation.</p> <p>The annual fixed charges for both GWAMCO and GWC are designed to cover overheads, including general repairs and maintenance. The variable charge covers costs that fluctuate depending on water usage, mainly electricity charges for pumping.</p> <p>The annual asset contribution is designed to replace the assets, as and when required. This charge has always been in place, and has basically been the source of the contribution towards the current pipeline replacement project. It will continue, with the same objective.</p>
10.3	The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	<p>The Gascoyne Water Cashflow Forecast 2011/12 – 2021/22 includes Operating Statements (P&L) until 2021/22. However, there are no projected Statements of Financial Position.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> • As part of the Financial Plan, develop projected Statements of Financial Position for at least the next 5 years in order to provide a better analysis of past performance and to assist future planning. <p><i>(Post Audit Implementation Plan 2.3)</i></p>
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	GWC has developed a Gascoyne Water Cashflow Forecast 2011/12 – 2021/22 that provides predictions of income and expenditure until 2021/22.
10.5	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	The annual asset contribution and fixed and variable water charges collected each year for the scheme cover the average operations and maintenance, administration and capital expenditure requirements.

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
10.6	Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.	<p>Comprehensive financial reports are developed by GWC's appointed Accountant. Operating and Capital Budgets are prepared and reviewed by the both Boards. Variations in actual and budget income and expenses are identified in monthly reports and reviewed by the CEO and the Board. Corrective action is taken where required.</p> <p>The accounting software package (QuickBooks) used by GWC and GWAMCO is not capable of collecting internal maintenance costs, therefore a separate maintenance spreadsheet is maintained for the collection and reporting of actual versus budgeted items of maintenance labour and material expenses. The audit acknowledged that GWC plans to investigate Contra Accounts to record labour costs against Maintenance account codes. This task this is recorded as an action item in GWC's AMS Improvements and Action Plan.</p>			
11	CAPITAL EXPENDITURE PLANNING	Process Rating	B	Performance Rating	2
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	<p>Capital Expenditure plans have been reviewed by both Boards on 21 June 2012. The Business Cases are contained in the Strategic and Business plans of both Co-operatives.</p> <p>GWC does not have an infrastructure capital investment programme. As an operator and service provider, GWC does not want to own infrastructure assets due to commercial risk of owning those assets and makes no provision in its budget for Capital Expenditure of this nature. GWC's capital expenditure is limited to replacing current operations and maintenance assets, such as vehicles, small plant, inventory and office equipment. GWC is also considering leasing options on its maintenance fleet rather than outright purchases.</p> <p>GWAMCO, as the asset mutual co-operative is vested with the responsibility for collecting asset replacement and renewal funds.</p> <p>Assets are replaced at the end of their useful life. GWAMCO's Capital Expenditure Plan 2013-2062 was developed using the Capital Budget template available from the Authority and this in essence does constitute a basic replacement strategy. However, the audit was advised that the Plan needs to be updated for asset renewal incorporating life cycle costing. The audit acknowledges that this is already recorded as an action item in GWC's AMS Improvements and Action Plan.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Update the GWAMCO's Capital Expenditure Plan for asset renewal incorporating life cycle costing, although audit (this is already recorded as an action item in GWC's AMS Improvements and Action Plan). <p><i>(Post Audit Implementation Plan 2.4)</i></p>			
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	The analysis assumes that assets will be replaced at the end of their standard economic life. In reality some assets			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	consistent with the asset life and condition identified in the asset management plan.	will fail earlier than the standard life and some assets will remain useful beyond the standard replacement life.			
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	Operating and Capital Budgets are prepared and reviewed by both Boards on annual basis.			
12	REVIEW OF ASSET MANAGEMENT SYSTEM	Process Rating	A	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 new Asset Management System (AMS) has been reviewed and approved by GWC at Meeting No 133 held on 27 September 2012.</p> <p>The AMS Review and Improvement Policy and Procedure have been developed to ensure internal review by GWC Board every two years and external review every three years as per the licence requirement. The next review of the AMS is due in September 2014.</p> <p>GWC maintains a Compliance and Reporting Schedule, which is being reviewed monthly at GWC Board meetings. The audit confirmed that review of AMS is included in the Schedule.</p> <p>GWC also maintains an AMS Improvements and Action Plans Register showing all necessary improvements required to the AMS. All outstanding items relating to the AMS are recorded in this register for follow up. The register details the name of the person responsible for the follow up action and the expected completion date.</p> <p>GWC keeps track of all reviews of the AMS in a document history section.</p> <p>Although, the audit was satisfied that the review process is in place to ensure that the AMP and AMS are kept current, the review process could be improved by updating the AMS Review section of the AMS for the requirement to notify the Authority of any (significant) changes to the asset management system within 10 business days.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> Update the AMS Review section of the AMS for the requirement to notify the Authority of any (significant) changes to the asset management system within 10 business days. <p><i>(Post Audit Implementation Plan item 2.5)</i></p>			
12.2	Independent reviews (e.g. internal audit) are performed of the asset management system.	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			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<p>acceptable to the Authority as to the effectiveness of the system.</p> <p>Independent reviews have been performed in accordance with the timeframes advised by the Authority.</p>

4.4 Conclusion

The review of the Asset Management System has shown that the system is operating effectively and meeting the expected performance standards under the Authority's licence.

The policies, procedures and supporting information to operate and maintain the system have improved since the previous review with revision of the Asset Management Plan and better definition of most policies and procedures. Several gaps remain in respect of:

- Updating the replacement cost of the new HDPE pipeline and the Northern Borefield Asset Registers and in the Gascoyne Water Asset Mutual Co-operative's (GWAMCO) Capital Expenditure Plan to reflect life cycle costing;
- Regularly testing the contingency plans;
- Including the projected financial position in the Financial Plan; and
- Updating the AMS Review section of the AMS for the requirement to notify the Authority of any (significant) changes to the asset management system within 10 business days.

The review confirmed that out of 12 recommendations from the previous review report dated August 2011, 6 recommendations have been completed and 6 have been partially completed. The partially completed recommendations mainly relate to incorporating asset life cycle costing, regular testing of the contingency plans and including the projected financial position in the Financial Plan.

The review recommended that GWC:

- Updates the replacement cost in the new HDPE pipeline and the Northern Borefield Asset Registers to reflect life cycle costing, although audit acknowledges that this has already been recorded as an action item in GWC's AMS Improvements and Action Plan;
- Regularly tests the contingency plans and maintains evidence of the testing and any action to be taken;
- Includes the projected financial position for at least the next 5 years in the Financial Plan in addition to the income and expenditure forecasts;
- Updates GWAMCO's Capital Expenditure Plan for asset renewal, incorporating life cycle costing. The audit acknowledges that this action is already recorded in GWC's AMS Improvements and Action Plan; and
- Updates the AMS Review section of the AMS for the requirement to notify the Authority of any (significant) changes to the asset management system within 10 business days.

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 GWC.

Appendix A: Post Audit Implementation Plan

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
1	Operational Audit				
1.1 (item 9)	Customer Complaints – Process A Customer Complaints Procedure Manual has been developed and has been in use since October 2011. However, the audit has noted some discrepancies between the customer complaints handling requirements as prescribed by the Licence and the customer complaints handling process as outlined in GWC's Customer Complaints Procedure Manual as follows: <ul style="list-style-type: none"> The GWC's Customer Complaints Procedure Manual refers to the required timeframe for complaint resolution as 15 calendar days, not 15 business days, as required under the Licence. The requirement that, 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, is not included in GWC's Customer Complaints Procedure Manual. 	Medium	Review and update the Customer Complaints Procedure Manual in order to align it with the customer complaints handling requirements of the licence.	GWC's Customer Complaints Procedure Manual will be amended to incorporate the following changes: <ul style="list-style-type: none"> Complaint resolution time frame to be changed to 15 business days. The inclusion of notifying the customer of their option to refer the complaint to the DoW if the dispute has not been resolved in 15 business days 	Lisa Hodson – (Office Manager) August 2013
1.2 (items 10)	Customer Complaints – Resolution with 15 business days	Medium	a) Where a final response to the complainant cannot be provided within 15 business days of the	The GWC Customer Complaints Procedure Manual will be amended	Lisa Hodson – (Office Manager)

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
and 15)	<p>Schedule 3 clause 3.1 of the Licence requires the licensee to have in place, a properly resourced process for effectively receiving, recording and (where possible) resolving customer complaints within a timeframe of 15 business days.</p> <p>The audit sighted the Complaints Register and noted that all customer complaints over the audit period, except two, were resolved within 15 business days.</p> <p>The two exceptions related to two consecutive complaints from one complainant in regards to the same matter. Audit has reviewed the complaints documentation and noted the following exceptions:</p> <ul style="list-style-type: none"> Complaint ID 2013.002 re cost of connection & misinformation – the complaint was resolved by the Board on its meeting on 17 January 2013 (within 10 business days of the receipt of complaint), however the final response was provided to the complainant by the Company Secretary via letter on 14 February 2013 (29 business days after the receipt of complaint). Complaint ID 2013.003 re cost of connection & misinformation – request Board to re-evaluate decision - the complaint was resolved by the Board on its meeting on 8 March 2013 (within 9 business days of the receipt of complaint), however the final response was provided to the complainant by the CEO via letter on 22 March 2013 (19 business days after the receipt of complaint). The audit also noted that 		<p>complaint being received, the officer handling the complaint should respond within 15 business days by written communication to the complainant.</p> <p>b) Ensure that if a dispute has not been resolved within 15 business days, the customer is informed of the option of referring their complaint to the Department of Water.</p> <p>c) Review the figures in the “Days taken to close complaint” column of the Complaints Register to ensure correct entries.</p>	<p>to incorporate the changes:</p> <ul style="list-style-type: none"> When a final response to a customer complaint cannot be provided in 15 business days the Office Manager will advise the complainant in writing the reasons for the delay. The inclusion of notifying the customer of their option to refer the complaint to the DoW if the dispute has not been resolved in 15 business days. <p>All figures in the “Days taken to close complaint” will be checked for accuracy.</p>	August 2013

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	<p>the Complaints Register states that the complaint was resolved within 35 business days, which is not accurate (should be 19).</p> <p>The audit concluded that in both instances the complaints could have been resolved within the required timeframe of 15 business days, however in both cases there were delays in providing the final responses to the complainant.</p> <p>The audit also noted that GWC hadn't informed the complainant of the option of referring their complaint to the Department of Water as per the Licence requirement.</p>				
1.3 (item 14)	<p>Customer Complaints Register</p> <p>Complaints are recorded in GWC's Complaints Register with a unique complaint number. The audit confirmed that the nature of complaints is included in GWC's Complaints Register. However not the outcomes of complaints, although the number, nature of as well as outcomes to complaints are recorded on the individual Complaints Forms.</p>	Low	Update the Complaints Register in order to enable monitoring and recording of outcomes to complaints i.e. add another column.	The GWC Complaints Register will be updated to enable monitoring and recording of the outcomes to complaints.	Lisa Hodson (Office Manager) August 2013
1.4 (item 24)	<p>Customer Consultation</p> <p>Audit sighted copies of the newsletters, however noted that the newsletters cannot be accessed through GWC website although the link is provided.</p>	Low	Ensure the newsletters are accessible through GWC's website.	GWC newsletters are now accessible through GWC's website.	Lisa Hodson (Office Manager) Completed July 2013
2	Asset Management System Review				
2.1	Asset Operations – Asset Register	Medium	Update the replacement cost in the new HDPE pipeline and the Northern	Updating the replacement costs in the Asset	Leo Kaczmarczyk (CEO)

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	<p>The revised Asset Registers for the old a-c pipeline, new HDPE pipeline and the Northern Borefield include all the necessary information including the asset physical/structural conditions.</p> <p>However, the audit was advised that the replacement cost in the new HDPE pipeline and the Northern Borefield Asset Registers is based on an actual purchase price and need to be replaced to reflect life cycle costing. Audit acknowledges that this is already recorded as an action item in GWC's AMS Improvements and Action Plan.</p>		Borefield Asset Registers to reflect life cycle costing (<i>already recorded as an action item in GWC's AMS Improvements and Action Plan</i>).	Registers for the HDPE mains and NBF to reflect life cycle costing is currently in works in progress.	September 2013
2.2	<p>Contingency Planning - Testing</p> <p>Testing of individual components of the contingency plan has relied on their practical application to actual incidents that have arisen and the positive outcomes resulting have proved the effectiveness of the contingency planning. However, there is currently no process in place to formally test all of the contingency plans on a regular basis.</p>	Medium	All contingency plans need to be regularly tested, such as by an annual desktop review of the plan by the key participants, and discussion of potential scenarios. Evidence of the test and any action to be taken needs to be maintained.	Contingency Planning Policy and Procedures will be amended to incorporate annual desktop reviews. These reviews will also be incorporated into the Reporting and Compliance Schedule for future follow up.	Leo Kaczmarczyk (CEO) August 2013
2.3	<p>Financial Planning</p> <p>GWC's Cashflow Forecast 2011/12 – 2021/22 includes Operating Statements (P&L) until 2021/22. However, there are no projected Statements of Financial Position.</p>	Medium	As part of the Financial Plan, develop projected Statements of Financial Position for at least the next 5 years in order to provide a better analysis of past performance and to assist future planning.	Projected Statements of Financial Position will be generated and included in the Financial Plan for GWC.	Leo Kaczmarczyk (CEO) October 2013
2.4	<p>Capital Expenditure Planning</p> <p>Assets are replaced at the end of their useful life.</p>	Medium	Update the GWAMCO's Capital Expenditure Plan for asset renewal incorporating life cycle costing (<i>already recorded as an action item in GWC's</i>	GWAMCO's Capital Expenditure Plan is currently being updated to	Leo Kaczmarczyk (CEO) October 2013

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
	<p>GWAMCO's Capital Expenditure Plan 2013-2062 was developed using the Capital Budget template available from the Authority and this in essence does constitute a basic replacement strategy.</p> <p>However, the audit was advised that the Plan needs to be updated for asset renewal incorporating life cycle costing. The audit acknowledges that this is already recorded as an action item in GWC's AMS Improvements and Action Plan.</p>		<i>AMS Improvements and Action Plan).</i>	incorporate life cycle costing in the acquisition and replacement of assets.	
2.5	<p>Review of Asset Management System</p> <p>Although, the audit was satisfied that the review process is in place to ensure that the asset management plan and the asset management system described therein are kept current, the review process could be improved by updating the AMS Review section of the Asset Management Plan for the requirement to notify the Authority of any (significant) changes to the asset management system within 10 business days.</p>	Low	Update the AMS Review section of the Asset Management Plan for the requirement to notify the Authority of any (significant) changes to the asset management system within 10 business days.	The AMS Review and Improvement Policy and Procedures will be amended to incorporate notification to the Authority of any significant changes to the AMS within 10 business days.	<p>Leo Kaczmarczyk (CEO)</p> <p>August 2013</p>

END OF REPORT