

Preston Valley Irrigation Co-operative Ltd

2017 POST-AUDIT AND POST-REVIEW IMPLEMENTATION PLAN

1 Licensee's Response to Previous Recommendations

1.1 Previous Audit: Non-Compliances and Recommendations

| Previous Audit: Non-Compliances and Recommendations | | | | |
|---|---|---|------------------|---|
| A. Resolved Before End of Previous Audit Period | | | | |
| Reference (no./year) | Compliance Rating Legislative Obligation and Details of the Issue | Auditor's Recommendation or Action Taken | Date Resolved | Further Action Required (Yes/No/Not Applicable) Details of Further Action Required (Including Current Recommendation Reference if Applicable) |

There is no content in Part A.

Table 5: Previous Audit: Non-compliances and Recommendations (Part A)

| Previous Audit: Non-Compliances and Recommendations | | | | |
|---|---|--|------------------|--|
| B. Resolved During Current Audit Period | | | | |
| Reference (no./year) | Compliance and Control Rating | Auditor's Recommendation | Date Resolved | Further Action Required (FAR) (Yes/No/Not Applicable) |
| | Legislative Obligation and | | | Details of Further Action Required (Including Current Recommendation Reference if Applicable) |
| | Details of the Issue | | | |
| 1.1/2012 | <ul style="list-style-type: none"> • CR: 2; • LO: Schedule 3, Clause 2.5; and • Details: <ul style="list-style-type: none"> • The audit confirmed with PVIC's Secretary that a copy of the charter is available for viewing at PVIC's office, although the charter is not prominently displayed at PVIC's office. The audit confirmed with PVIC's Secretary that the charter is provided upon request and at no charge to customers; and • PVIC's Secretary advised that those customers that attend the AGM are advised of the availability of the charter during the AGM, however no annual advice of the charter availability is being provided to all entitled users. | <ul style="list-style-type: none"> • Prominently display the Customer Service Charter at PVIC's office; and • Amend the annual season opening advice notice to include advice of the availability of the Customer Service Charter. | n/a | <ul style="list-style-type: none"> • FAR: no; and • The "Water Services Licence – Preston Valley Irrigation Co-Operative – WL9, Version 6, 27 July 2016" does not contain any specific requirements in respect of a customer service charter in either: <ul style="list-style-type: none"> • Section 5: "Customers"; or • Schedule 3: Customer provisions." |

Table 5: Previous Audit: Non-compliances and Recommendations (Part B)

| Previous Audit: Non-Compliances and Recommendations | | | |
|---|--|--|--|
| C. Unresolved at End of Current Audit Period | | | |
| Reference (no./year) | Compliance Rating (CR) | Auditor's Recommendation | Further Action Required (FAR) (Yes/No/Not Applicable) |
| | Legislative Obligation (LO) and Details of the Issue | | Details of Further Action Required |
| 1.2/2012 | <ul style="list-style-type: none"> • CR: 2; • LO: Clause 21.2; and • Details: <ul style="list-style-type: none"> • The audit reviewed PVIC's Compliance and Performance Reports for the years ending 30 June 2008, 2009, 2010 and 2011 and noted the following exceptions: <ul style="list-style-type: none"> • Performance and Compliance Reports for the year ended 30 June 2010 and 2011 were submitted after the due date; and • PVIC was not able to locate the Performance and Compliance Reports for the year ended 30 June 2007. • The audit reviewed PVIC's task schedule of dates and noted that it includes the annual Performance Report submission date. However, the annual Compliance Report submission date was not included in the schedule. | <ul style="list-style-type: none"> • PVIC should ensure that all future Performance and Compliance Reports are submitted to the Authority within the timeframes required and copies of reports and correspondence between PVIC and the Authority retained; and • Update PVIC's task schedule of dates to include the annual Compliance Report submission date. | <p>Action undertaken / to be undertaken by - Secretary</p> <p>Date of action - 29/08/17</p> <p>Action / Proposed Action –</p> <ol style="list-style-type: none"> 1. I have updated the reporting matrix to include the annual compliance report submission date to ensure all future reports are submitted to the authority within the required time frames. 2. Copies of reports and correspondence between PVIC and the authority will be kept on file. This requirement has been noted on the reporting matrix also, to ensure it is undertaken. |

| Previous Audit: Non-Compliances and Recommendations | | | |
|---|---|--------------------------|--|
| C. Unresolved at End of Current Audit Period | | | |
| Reference (no./year) | Compliance Rating (CR) Legislative Obligation (LO) and Details of the Issue | Auditor's Recommendation | Further Action Required (FAR) (Yes/No/Not Applicable) Details of Further Action Required |
| 1.2/2012 (continued) | | | |

Table 5: Previous Audit: Non-compliances and Recommendations (Part C)

1.2 Previous Review: Deficiencies and Recommendations

| Previous Review: Deficiencies and Recommendations | | | | | | |
|---|--|--|---|---------------|---|--|
| A. Resolved Before End of Previous Review Period | | | | | | |
| Reference (no./year) | Asset Management System Effectiveness Rating | | Reviewer's Recommendation or Action Taken | Date Resolved | Further Action Required (Yes/No/Not Applicable) | |
| | Asset Management System Component | Criteria/Details of Asset Management System Deficiency | | | Details of Further Action Required (Including Current Recommendation Reference if Applicable) | |
| | | | | | | |

There is no content in Part A.

Table 6: Previous Review: Deficiencies and Recommendations (Part A)

| Previous Review: Deficiencies and Recommendations | | | | |
|---|---|---------------------------|------------------|---|
| B. Resolved During Current Review Period | | | | |
| Reference (no./year) | Asset Management System Effectiveness Rating | Reviewer's Recommendation | Date Resolved | Further Action Required (FAR) (Yes/No/Not Applicable) |
| | Asset Management System Component | | | Criteria/Details of Asset Management System Deficiency |
| There is no content in Part B. | | | | |

Table 6: Previous Review: Deficiencies and Recommendations (Part B)

| Previous Review: Deficiencies and Recommendations | | | |
|---|--|---|--|
| C. Unresolved at End of Current Review Period | | | |
| Reference (no./year) | Asset Management System Effectiveness Rating | | Further Action Required (FAR) (Yes/No/Not Applicable) |
| | Asset Management System Component | Auditor's Recommendation | Details of Further Action Required |
| | Criteria/Details of Asset Management System Deficiency | | |
| 2.1/2012 | <ul style="list-style-type: none"> • Rating: B 2; • Component: Asset Planning – AMP review and update; and • Details: <ul style="list-style-type: none"> • The Asset Management Plan should be reviewed and updated on an annual basis with major revisions every 5 years; • The AMP was last updated in 2010 and no significant changes have occurred since then, only minor amendments of operating staff names. Also, the financial information needs to be updated beyond 2011-12; and • The AMP does not include information on the formal review process. | <ul style="list-style-type: none"> • Review and revise the Asset Management Plan on an annual basis, including the financial information and minor changes in staffing; and • Document the review process in the Asset Management Plan, including information such as responsibility, what is reviewed and how frequently. | <p>Action undertaken/ to be undertaken by – Secretary and CEO</p> <p>Date of Action – In Progress (estimated completion date 10th January 2018)</p> <p>Action / Proposed Action -</p> <p>- To implement both recommendations made in 2012.</p> |
| 2.2/2012 | <ul style="list-style-type: none"> • Rating: B 2; • Component: Asset Operations - Asset Register; and • Details: <ul style="list-style-type: none"> • Assets should be documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and accounting data; | <ul style="list-style-type: none"> • Update the Asset Meter Register and Maintenance Record with the installation date for all meters currently on the other Asset Register; and • Update the Asset Meter Register and Maintenance Record with the most recent dates when the meters were inspected or tested and for future inspections. | <p>Action undertaken/ to be undertaken by – Secretary, CEO and Waterman</p> <p>Date of Action – In Progress (estimated completion date 10th January 2018)</p> <p>Action / Proposed Action -</p> <p>- Along with the Asset Management Plan the Asset register is in the process of being updated as per these recommendations.</p> |

| Previous Review: Deficiencies and Recommendations | | | |
|---|--|---|---|
| C. Unresolved at End of Current Review Period | | | |
| Reference (no./year) | Asset Management System Effectiveness Rating | Auditor's Recommendation | Further Action Required (FAR) (Yes/No/Not Applicable) |
| | Asset Management System Component | | Details of Further Action Required |
| | Criteria/Details of Asset Management System Deficiency | | |
| 2.2/2012 (continued) | <ul style="list-style-type: none"> The Asset Meter Register and Maintenance Record spreadsheet includes the meter number, serial number, date installed, date inspected, inspection results, date tested, irrigator, history/status and GPS location. All accounting information is kept separately in the FMIS; The spreadsheet identifies meters by their serial number and provides information on their installation date for some but not all the meters. The meters' life is estimated to be 30 years. The Asset Register of plant, equipment, office, meters and gates (spreadsheet) provides a listing of assets and the dates when they were installed but not the serial number; and The Asset Meter Register and Maintenance Record spreadsheet should be updated and kept up to date. The last record of meters being inspected or tested is in 2007. | | |
| 2.3/2012 | <ul style="list-style-type: none"> Rating: B 2; Component: Financial Planning; and Details: <ul style="list-style-type: none"> The following deficiencies in the financial plan in the Asset Management Plan were noted: PVIC's 5-year Financial Plan includes Operating Statements (P&L) and cash flow | <p>In the next revision of the Asset Management Plan:</p> <ul style="list-style-type: none"> Include more financial information in the Appendices to the Asset Management Plan, to provide a better analysis of past performance and to assist future planning, including Balance Sheet and Operating Statement projections; | <p>Action undertaken/ to be undertaken by – Secretary and CEO</p> <p>Date of Action – In Progress (estimated completion date 10th January 2018)</p> |

| Previous Review: Deficiencies and Recommendations | | | | |
|---|---|--|--|--|
| C. Unresolved at End of Current Review Period | | | | |
| Reference (no./year) | Asset Management System Effectiveness Rating | | | Further Action Required (FAR) (Yes/No/Not Applicable) |
| | Asset Management System Component | Auditor's Recommendation | | Details of Further Action Required |
| | Criteria/Details of Asset Management System Deficiency | | | |
| 2.3/2012 (continued) | <p>projections until 2011/12. There are no projected Statements of Financial Position;</p> <ul style="list-style-type: none"> • Predictions on income are in PVIC's Financial Plan until 2011/12. No financial predictions are provided beyond this; and • PVIC's financial plan does not provide any actual versus budget comparisons. | <ul style="list-style-type: none"> • Develop a new financial plan for next 5 years from 2012/13; and • Include actual/budget income and expenses for the past three years. | | <p>Action / Proposed Action -</p> <ul style="list-style-type: none"> - Update of Asset Management Plan is in Progress - we will include more financial information in the appendices as recommended and develop a new financial plan and include actual/ budget income and expenses for the past 3 years. |

Table 6: Previous Review: Deficiencies and Recommendations (Part C)

4.6 Current Audit: Non-Compliances and Recommendations

| Current Audit: Non-Compliances and Recommendations | | | |
|---|--|-------------------------|--------------------|
| A. Resolved During Current Audit Period | | | |
| Manual Reference | Non-Compliance or Controls Inadequacy Rating | Date Resolved | Auditor's Comments |
| | Legislative Obligation | Management Action Taken | |
| | Details of Non-Compliance or Controls Inadequacy | | |
| No such instances occurred during the Audit Period. | | | |

Table 12: Current Audit: Non-Compliances and Recommendations (Part A)

Current Audit: Non-Compliances and Recommendations

B. Unresolved at End of Current Audit Period

| Reference ³ (no./year) | Control and Compliance Rating | | Auditor's Recommendation | Management Action Taken by End of Audit Period |
|--|---|--|---|---|
| | Legislative Obligation (LO) | | | |
| | Details for Compliance and/or Control Rating | | | |
| 1, 4-5, 7-9, 11-13, 15-16, 18-20, 25, 28-29, 31-45, 49-51, 54-64, 66-68, 74-89, 156, 160, 162-163, 165, 168-169, 171-173, 182-183 (01/2017) | <ul style="list-style-type: none"> • Ratings: D 1; • LO: Water Services Act 2012 ("Act") – Clause 21(1)(a) and Water Services Licence - Version 6 ("WSL 6"): clause 3.3.1 (a); and • Details: <ul style="list-style-type: none"> • The PVIC does keep the following records in respect of its administrative activities: <ul style="list-style-type: none"> • "Preston Valley Irrigation Co-operative Ltd – Customer Service Charter for Preston Valley Irrigation Scheme 2015" ("Customer Service Charter"); • Preston Valley Irrigation Co-operative Limited – Asset Management Plan for Preston Valley Irrigation Scheme 1998" ("Asset Management Plan"); • File with administrative procedures; and • "Reporting Matrix" which only refers to the provision of compliance reports and performance reports to the ERA. <p>(hereinafter collectively referred to as the "PVIC's Administrative Documents");</p> | | <ul style="list-style-type: none"> • The PVIC should include appropriate references in its Administrative Documents to its compliance obligations in terms of the Water Legislation. | <p>Action undertaken / to be undertaken by - Secretary</p> <p>Date of action - 29/08/17</p> <p>Action / Proposed Action -</p> <ol style="list-style-type: none"> 1. I have saved all of these documents (ie: water legislation) in a file titled "Water Services Legislation PVIC is Required to Comply With" on our computer desktop. This is visible on start up of computer. 2. I have included a list of the Water Services Legislation that we are required to comply with in our administrative procedures file. 3. I have updated the reporting matrix to include references to the water legislation and have a copy of the reporting matrix displayed on the office wall and a copy in the admin file. |

³ The 'No.' refers to the compliance obligation reference number, as per the ERA's document entitled: "Water Compliance Reporting Manual – Water Services Act 2012 – July 2016"

Current Audit: Non-Compliances and Recommendations

B. Unresolved at End of Current Audit Period

| Reference ³ (no./year) | Control and Compliance Rating | | Auditor's Recommendation | Management Action Taken by End of Audit Period |
|---|--|---|---|--|
| | Legislative Obligation (LO) | Details for Compliance and/or Control Rating | | |
| 1, 4-5, 7-9, 11-13, 15-16, 18-20, 25, 28-29, 31-45, 49-51, 54-64, 66-68, 74-89, 156, 160, 162-163, 165, 168-169, 171-173, 182-183 (01/2017) (continued) | <ul style="list-style-type: none"> • However, none of these documents include a specific reference to compliance with the following: <ul style="list-style-type: none"> • Water Services Act 2012; • Water Services Regulations 2013; and • Water Services Licence, WL9, Version 6, 27 July 2016. (hereinafter collectively referred to as the "Water Legislation"); and • Paxon has noted the Asset Management Plan was last updated on 2 December 2013. However, the document still refers to the "Water Services Licensing Act 1995". | | | |
| 2 (02/2017) | <ul style="list-style-type: none"> • Ratings: B 1; • LO: Act – Clause 21(1)(b) and WSL 6 - clause 3.3.1 (b); and • Details: <ul style="list-style-type: none"> • The Asset Management Plan states: <i>"The service will be available to properties within the serviced area (Plan Number OWR-OA-193) on request and payment of the prescribed fee, in accordance with the Memorandum and Articles of Association."</i>; and | <ul style="list-style-type: none"> • The Asset Management Plan should be updated to refer to current Water Legislation and the current environment within which the PVIC operates. | <p>Action undertaken/ to be undertaken by – Secretary and CEO</p> <p>Date of Action – In Progress (estimated completion date 10th January 2018)</p> <p>Action / Proposed Action -</p> <ul style="list-style-type: none"> - Update of Asset Management Plan is in Progress/ under review. - We will be referred to within a yearly budget document. | |

Current Audit: Non-Compliances and Recommendations

B. Unresolved at End of Current Audit Period

| Reference ³ (no./year) | Control and Compliance Rating | | Auditor's Recommendation | Management Action Taken by End of Audit Period |
|--------------------------------------|---|--|--|--|
| | Legislative Obligation (LO) | | | |
| | Details for Compliance and/or Control Rating | | | |
| 2 (02/2017) (continued) | <ul style="list-style-type: none"> Paxon has noted the Water Services Licence, WL9, Version 6, 27 July 2016 refers to Plan Number "OWR-OA-193 (C)". | | | |
| 62 (03/2017) | <ul style="list-style-type: none"> Ratings: D 2; LO: Act – Clause 210(5) and WSL 6 - clause 3.1.1; and Details: <ul style="list-style-type: none"> PVIC has stated the Waterman was not given a certificate of authority for use during the Audit period. | <ul style="list-style-type: none"> PVIC should arrange for the Waterman to be given a certificate of authority. | <p>Action undertaken/to be undertaken by – CEO and Secretary</p> <p>Date of Action – In Progress (estimated completion date 10th January 2018)</p> <p>Action / Proposed Action – Certificate of Authority to be organised and given to Waterman.</p> | |
| 160 (04/2017) | <ul style="list-style-type: none"> Ratings: D 4; LO: Act - clause 12 and WSL 6 - clause 3.6.1; and Details: <ul style="list-style-type: none"> Paxon examined financial statements for the years 2012-2013 to 2015-2016. None of these sets of financial statements were audited; Donnybrook Accounting prepared annual financial statements for the 2014-2015 and 2015-2016 financial years. The "Compilation Reports" for these sets of financial statements, as issued by the accountant states: | <ul style="list-style-type: none"> PVIC should maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards. | <p>Action undertaken/to be undertaken by – CEO and Secretary</p> <p>Date of Action – In Progress (estimated completion date 10th January 2018)</p> <p>Action / Proposed Action- -To review accounting records and audit procedures. -Organise audits of financial statements.</p> | |

| Current Audit: Non-Compliances and Recommendations | | | |
|--|--|--------------------------|--|
| B. Unresolved at End of Current Audit Period | | | |
| Reference ³ (no./year) | Control and Compliance Rating | | Management Action Taken by End of Audit Period |
| | Legislative Obligation (LO) | Auditor's Recommendation | |
| | Details for Compliance and/or Control Rating | | |
| 160 (04/2017) (continued) | <p><i>"Australian Accounting Standards and mandatory professional reporting requirements have not been adopted in the preparation of the special purpose financial report.";</i></p> <ul style="list-style-type: none"> • Paxon has noted the PVIC's Administrative Documents do not refer to this compliance obligation in terms of the Water Legislation; and • A recommendation (01/2017) was made in this regard (see compliance obligation number 1 above). | | - Refer to the requirement of auditing as a compliance obligation in our administrative documents. |

Table 12: Current Audit: Non-Compliances and Recommendations (Part B)

5.4 Current Review: Deficiencies and Recommendations

| Current Review: Deficiencies and Recommendations | | | |
|--|--|-------------------------|--------------------|
| A. Resolved During Current Review Period | | | |
| | Asset Management System Effectiveness Rating | Date Resolved | |
| Ref. | Asset Management System Component | Management Action Taken | Auditor's Comments |
| | Criteria/Details of Asset Management System Deficiency | | |

No such instances occurred during the current Review period.

Table 17: Current Review: Deficiencies and Recommendations (Part A)

Current Review: Issues and Recommendations

B. Unresolved at End of Current Review Period

Asset Management System Effectiveness Rating

| Ref. (no./year) | Asset Management System Component Criteria/Details of Asset Management System Issue | Auditor's Recommendation | Management Action Taken by End of Audit Period |
|--------------------|---|---|--|
| 01/2017 | <ul style="list-style-type: none"> • Rating: C 2; • Component: Asset Planning; and • Details: <ul style="list-style-type: none"> • The Asset Management Plan (AMP): <ul style="list-style-type: none"> • Adequately reflects the needs of stakeholders - property owners who hold shares in the cooperative who purchase water for crop and fruit tree irrigation and property owners who are not cooperative shareholders but purchase water in smaller quantities for domestic non-potable use. Stakeholder rights and responsibilities and management aspects of the scheme are also well set out in PVIC's Customer Service Charter; • Defines service and quality levels; • Operational capacity of the scheme is determined annually by PVIC, based on the amount of water held in the Water Corporation's Glen Mervyn dam at the start of the irrigation season; • PVIC has few assets other than water meters. Non-asset options are therefore limited. However non-asset controls of the system available to PVIC include deciding the start and finishing dates of the irrigation, the discharge rate and total amount of water taken from the Glen Mervyn dam during the irrigation season, control of the water level in the Preston River, water restrictions where appropriate and day to day control of operations by PVIC's Waterman; | <p>Recommendation 01/2017</p> <ul style="list-style-type: none"> • That life cycle costs be effectively reflected in the financial plan; • The likelihood and consequence of asset failure should be documented in the risk management plan; and • The AMP should be updated in several areas as recommended in Item 11 – Asset Management System Review. | <p>Action undertaken/to be undertaken by – CEO and Secretary</p> <p>Date of Action – In Progress (estimated completion date 10th January 2018)</p> <p>Action / Proposed action- - Update the Asset Management plan and financial plan and risk management plan as per the auditor's recommendations.</p> |

Current Review: Issues and Recommendations

B. Unresolved at End of Current Review Period

Asset Management System Effectiveness Rating

| Ref. (no./year) | Asset Management System Component | Auditor's Recommendation | Management Action Taken by End of Audit Period |
|---|--|--|--|
| Criteria/Details of Asset Management System Issue | | | |
| 01/2017 (continued) | <ul style="list-style-type: none"> • Despite the simplicity of the scheme, life cycle costs are not effectively reflected in the financial plan. The financial plan considers annual income and expenditure and reports a small annual profit, which PVIC expects to be on going; • The main cost driver is the annual charge for water taken from Water Corporation's Glen Mervyn dam. Prime income is from charges for supply of water to customers; • The likelihood and consequence of asset failure have been considered but are not documented; and • The AMP was last revised in December 2013 and should be updated in several areas as recommended in Item 11 – Asset Management System Review. | | |
| 02/2017 | <ul style="list-style-type: none"> • Rating: C 2; • Component: Asset Creation and Acquisition; and • Details: • PVIC no longer inspects meters annually or undertakes meter repairs / refurbishments – as it is more economic to purchase new meters and replace those which are either faulty, or at the end of their assumed life of 30 years. PVIC's policy therefore is to purchase at least two new meters annually in order to create a sufficient reserve of new meters to enable the replacement of all meters over the forthcoming twenty or so years. This new policy should be documented in the AMP; • Meters are read fortnightly by the Waterman. If there are any obvious discrepancies between previous readings and /or the apparent level of irrigation, the meters are dismantled in situ, | <p>Recommendation 02/2017</p> <ul style="list-style-type: none"> • The documented policy in the AMP - of repairing meters, should be replaced by the actual policy of replacement with new meters. | <p>Action undertaken/to be undertaken by – CEO, Secretary and Waterman</p> <p>Date of Action – In Progress (estimated completion date 10th January 2018)</p> <p>Action / Proposed action- - Review / update and put in place a policy for replacement of meters.</p> |

Current Review: Issues and Recommendations

B. Unresolved at End of Current Review Period

Asset Management System Effectiveness Rating

| Ref. (no./year) | Asset Management System Component | Auditor's Recommendation | Management Action Taken by End of Audit Period |
|------------------------|---|--|--|
| | Criteria/Details of Asset Management System Issue | | |
| 02/2017 (continued) | <p>cleaned of any foreign material and replaced in service. Although rare in occurrence, any meter found to be faulty during this procedure is replaced;</p> <ul style="list-style-type: none"> • Meters are purchased from approved suppliers; • Commissioning tests for new meters are not necessary as they are standard items; and • Legal / environmental aspects of PVIC's assets with respect to its customers are set out in the AMP and the Customer Service Charter. | | - Discuss with waterman the most efficient way to facilitate this action. |
| 03/2017 | <ul style="list-style-type: none"> • Rating: C 2; • Component: Asset Disposal; and • Details: <ul style="list-style-type: none"> • Faulty meters and those at or beyond their useful life, are now replaced and disposed of to landfill, whereas PVIC previously retained individual meters or their components as spare parts. Replacement and disposal of meters is noted and recorded by the Waterman; and • The replacement strategy for meters is set out under Item 2 – Asset Creation and Acquisition. | <p>Recommendation 03/2017</p> <ul style="list-style-type: none"> • The reason for and procedure for disposal of assets should be set out in the AMP. | <p>Action undertaken/to be undertaken by – CEO, Secretary and Waterman</p> <p>Date of Action – In Progress (estimated completion date 10th January 2018)</p> <p>Action / Proposed action-</p> <ul style="list-style-type: none"> - add document / table to Asset management plan to incorporate the following details: - Reason for disposal of asset - Procedure for disposal of Asset |

Current Review: Issues and Recommendations

B. Unresolved at End of Current Review Period

Asset Management System Effectiveness Rating

| Ref. (no./year) | Asset Management System Component Criteria/Details of Asset Management System Issue | Auditor's Recommendation | Management Action Taken by End of Audit Period |
|------------------------|---|---|--|
| 04/2017 | <ul style="list-style-type: none"> • Rating: C 1; • Component: Asset Operations; and • Details: <ul style="list-style-type: none"> • The AMP section "Operational Plan" adequately sets out the operational conditions, procedures and timing associated with the distribution of water to customers; • The AMP section "Resources Required to Support the AMP" sets out the names and duties and background experience of the Secretary/Accountant, Waterman and Chairman. Reviewer noted the names provided are no longer applicable. Also, the role of Chairman has been replaced by that of the Chief Executive Officer. The names and role information should be updated; • Although not documented, the major consequence – that of source water failure or reduction is considered in PVIC's practise of controlling the flow rate and total volume drawn from the Glen Myvern dam, together with control of water available in the Preston River and recording/checking volumes of water taken at fortnightly intervals during the irrigation season; • Reviewer inspected PVIC's Asset Register dated 15th June 2017. The register, in tabular form, lists all assets including some 45 meters, office equipment and gates for the canoe pond level control installation. Separate columns are provided to list the items, size and type, together with the purchase price, purchase date and replacement date, estimated replacement cost and the most recent inspection date. Although the listing is | <p>Recommendation 04/2017</p> <ul style="list-style-type: none"> • The AMP section on "Resources Required to Support the AMP" should be updated to correct the duties and names of the current Chief Executive Officer, Secretary/Accountant and Waterman; • PVIC's documents its practise of controlling the flow rate and total volume drawn from the Glen Myvern dam, together with control of water available in the Preston River and recording/checking volumes of water taken; • The following amendments should be implemented in the Asset Register: <ul style="list-style-type: none"> • An identifying number should be listed for each asset and - in the case of meters should be marked on each meter; • Separate columns should be added to the asset list to record the asset number, customer property service (in the case of meters), installation date, replacement date (if applicable) and comments; • In the existing table, the column for "last inspection" should be re-labelled to serve as the comments column as suggested above; • Of the remaining two existing columns, replacement dates should be entered - based on | <p>Action undertaken/to be undertaken by – CEO, Secretary and Waterman</p> <p>Date of Action – In Progress (estimated completion date 10th January 2018)</p> <p>Action / Proposed action- -total update of AMP is in progress, this will update duties and names of current CEO, Secretary/ Accountant and Waterman and all other recommendations made by auditor. This has commenced.</p> |
| 04/2017 (continued) | | | |

Current Review: Issues and Recommendations

B. Unresolved at End of Current Review Period

Asset Management System Effectiveness Rating

| Ref. (no./year) | Asset Management System Component | Auditor's Recommendation | Management Action Taken by End of Audit Period |
|---|--|---|---|
| Criteria/Details of Asset Management System Issue | | | |
| 04/2017 (continued) | <p>comprehensive, the following amendments should be implemented:</p> <ul style="list-style-type: none"> • An identifying number should be listed for each asset and - in the case of meters should be marked on each meter; • Separate columns should be added to the asset list to record the asset number, customer property service (in the case of meters), installation date, replacement date (if applicable) and comments; • In the existing table, the column for "last inspection" should be re-labelled to serve as the comments column as suggested above; • Of the remaining two existing columns, replacement dates should be entered - based on a thirty years useful life currently adopted by PVIC; and • The estimated asset replacement cost should be determined on the basis of an annual cost increase of say, 3% (e.g., PURCHASE COST multiplied by 1.03³⁰ or PURCHASE COST multiplied by 2.43). On this basis, future replacement costs for all current assets would be in the order of \$90,000, which would be covered threefold by PVIC's invested reserve. • As the spectrum of operating costs is small and relatively constant, PVIC does not prepare an annual budget. Operating costs are therefore recorded, monitored and compared with those expected based on costs from previous years. This approach although unusual, appears adequate for the relatively constant low-cost nature of the operation. However, Reviewer considers | <p>a thirty years useful life currently adopted by PVIC; and</p> <ul style="list-style-type: none"> • The estimated asset replacement cost should be determined on the basis of an annual cost increase of say, 3% (e.g., PURCHASE COST multiplied by 1.03³⁰ or PURCHASE COST multiplied by 2.43). On this basis, future replacement costs for all current assets would be in the order of \$90,000, which would be covered threefold by PVIC's invested reserve. • PVIC should prepare at least an informal budget, even if only to underline its financial responsibility to its shareholders. | |

| Current Review: Issues and Recommendations | | | |
|---|--|--|---|
| B. Unresolved at End of Current Review Period | | | |
| Asset Management System Effectiveness Rating | | | |
| Ref. (no./year) | Asset Management System Component | Auditor's Recommendation | Management Action Taken by End of Audit Period |
| Criteria/Details of Asset Management System Issue | | | |
| | <p>PVIC should prepare at least an informal budget, even if only to underline its financial responsibility to its shareholders; and</p> <ul style="list-style-type: none"> PVIC's operating staff are well qualified and experienced in their respective roles. | | |
| 05/2017 | <ul style="list-style-type: none"> Rating: C 1; Component: Asset Maintenance; and Details: <ul style="list-style-type: none"> Reviewer recognises that the overlapping Operating & Maintenance requirements of the system are fully understood and carried out by the Waterman. However, the following recommendation is made with a view to documenting these procedures. | <p>Recommendation 05/2017</p> <ul style="list-style-type: none"> The Maintenance section in the AMP should be re-written to set out the procedures related to the new practise for the purchase and replacement of meters. In addition, the Waterman's responsibility for fortnightly inspection and recording of customer meter readings, control of the canoe course river levels, control of the rate of discharge from the Glen Mervyn dam and the discharge meter reading should also be set out. | <p>Action undertaken/to be undertaken by – CEO, Secretary and Waterman Date of Action – In Progress (estimated completion date 10th January 2018) Action / Proposed action- -to implement all auditors recommendations.</p> |
| 05/2017 (continued) | | | |
| 06/2017 | <ul style="list-style-type: none"> Rating: C 2; Component: Asset Management Information System; and Details: <ul style="list-style-type: none"> Data security is maintained by locking of filing cabinets and the office while closed. Due to the relatively low volume of data input, computer files are backed up weekly and an external hard drive copy is filed elsewhere in the office. The hard drive copy should be retained at a location separate from the office; | <p>Recommendation 06/2017</p> <ul style="list-style-type: none"> The procedures for office security, computer backup and the external storage of the external hard drive should be documented in the AMP. | <p>Action undertaken/to be undertaken by – Secretary Date of Action – In Progress (estimated completion date 10th January 2018)</p> |

| Current Review: Issues and Recommendations | | | |
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| B. Unresolved at End of Current Review Period | | | |
| Asset Management System Effectiveness Rating | | | |
| Ref. (no./year) | Asset Management System Component | Auditor's Recommendation | Management Action Taken by End of Audit Period |
| Criteria/Details of Asset Management System Issue | | | |
| | | | Action / Proposed action- To document this procedure and add to AMP. |
| 07/2017 | <ul style="list-style-type: none"> • Rating: C 2; • Component: Risk Management; and • Details: <ul style="list-style-type: none"> • The major risks to the system and their consequences are: <ul style="list-style-type: none"> • The total failure of the source supply from the Glen Mervyn dam due to an extended drought or failure of the dam; and • Pollution including high salinity of the water. <p>Both scenarios would involve cessation of irrigation until a drought ended, the dam failure was overcome, the source of pollution removed and the pollutants flushed from the system. Each of these scenarios would require action by PVIC in accordance and cooperation with established government emergency practises. Copies of these emergency standards are appended to the AMP;</p> | <p>Recommendation 07/2017</p> <ul style="list-style-type: none"> • The existing section on Risk Management in the AMP should be extended to include the above explanatory text. | <p>Action undertaken/to be undertaken by – Secretary & CEO</p> <p>Date of Action – In Progress (estimated completion date 10th January 2018)</p> <p>Action / Proposed action- Include explanatory text in AMP as recommended.</p> |
| 07/2017 (continued) | <ul style="list-style-type: none"> • PVIC is licensed by Water Corporation - under the Rights in Water and Irrigation Act (1914), to take a maximum of 1,800 Megalitres (ML) of water annually from the Glen Mervyn dam. The volume of water stored in the dam is determined toward the end of the winter season and a determination is made as to whether or not the whole 1800 ML entitlement will be available for the following irrigation season. If not fully available, PVIC | | |

Current Review: Issues and Recommendations

B. Unresolved at End of Current Review Period

Asset Management System Effectiveness Rating

| Ref. (no./year) | Asset Management System Component | Auditor's Recommendation | Management Action Taken by End of Audit Period |
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| Criteria/Details of Asset Management System Issue | | | |
| | <p>determines what proportion of the allocation (say 60% for example) will be available and advises its customers accordingly;</p> <ul style="list-style-type: none"> • PVIC manages the allocation and supply of water in the following ways: <ul style="list-style-type: none"> • PVIC decides and advises its customers of the start and finishing dates of the irrigation season, together with the percentage of their maximum allotment of water (in this example, 60%) they can take during the forthcoming season; • PVIC controls the discharge rate and the cumulative volume of water taken from the Glen Mervyn dam; • PVIC manages the level of water in the river by adjusting the rate of flow by-passing the canoe course dam within the Donnybrook town site. Further downstream the water flow is partially restricted and the water level raised by two "rilles" (porous rock walls) constructed across the river; • Water meters are read fortnightly and customers advised if they are approaching the limit of their allocation; and • The Waterman check salinity of water approximately fortnightly - usually when reading meters. | | |
| 08/2017 | <ul style="list-style-type: none"> • Rating: C 3; • Component: Contingency Planning; and • Details: <ul style="list-style-type: none"> • The AMP refers to: <ul style="list-style-type: none"> • PVIC's contamination policy and procedure, which are | <p>Recommendation 08/2017</p> <ul style="list-style-type: none"> • It is recommended that the AMP be updated to include: <ul style="list-style-type: none"> • PVIC's contamination policy and relevant procedures; | <p>Action undertaken/to be undertaken by – Secretary & CEO</p> |

| Current Review: Issues and Recommendations | | | |
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| B. Unresolved at End of Current Review Period | | | |
| Asset Management System Effectiveness Rating | | | |
| Ref. (no./year) | Asset Management System Component | Auditor's Recommendation | Management Action Taken by End of Audit Period |
| | Criteria/Details of Asset Management System Issue | | |
| | <p>attached as Appendix A. However, a copy of the Appendix could not be located;</p> <ul style="list-style-type: none"> • PVIC following the guidelines set down in the Australian Counter-Terrorism Plan. However, there is no detail as to what edition of the guidelines is referred to, or the specific procedures PVIC follows in their application; and • Mr. J. A. O'Donnell a landowner agreeing to supply water from his dam to the scheme in the event of a supply failure. The letter of agreement referred to as Appendix B of the AMP could not be found. Also, it is probable the agreement has lapsed, as there is no longer a connection between the dam and the Preston River. • Meter failures are resolved by replacement with accumulated new stock; and • Procedures outlined in Item 7 above effectively mitigate against supply emergencies, except those outside the control of PVIC, including supply failure associated with drought, Glen Mervyn dam, pollution, or terrorism. | <ul style="list-style-type: none"> • The edition of the Australian Counter-Terrorism Plan guidelines referred to, and the specific procedures PVIC follows in their application; and • Clarify whether or not the agreement with Mr. J.A. O'Donnell has lapsed; and if so, delete the reference to it from the AMP. | <p>Date of Action – In Progress (estimated completion date 10th January 2018)</p> <p>Action / Proposed action- To update AMP as per these recommendations.</p> |
| 09/2017 | <ul style="list-style-type: none"> • Rating: C 2; • Component: Financial Planning; and • Details: | <p>Recommendation 09/2017</p> <ul style="list-style-type: none"> • PVIC should extend its financial plan as a rolling future five years plan commencing at and including the current year; | <p>Action undertaken/to be undertaken by – Secretary & CEO</p> |

Current Review: Issues and Recommendations

B. Unresolved at End of Current Review Period

Asset Management System Effectiveness Rating

| Ref. (no./year) | Asset Management System Component | Auditor's Recommendation | Management Action Taken by End of Audit Period |
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| Criteria/Details of Asset Management System Issue | | | |
| | <ul style="list-style-type: none"> The financial plan included in the AMP as Appendix A, covers the five financial years to 2016-17 rather than 2016-17 to 2020-21 as required by PVIC's licence; and PVIC does not prepare an annual budget or balance sheet. Income and expenditure is monitored and compared monthly against the trends of earlier years. Reviewer considers the current monitoring of income and expenditure, and the cheque account balance should negate the need for a formal balance sheet. However, it is considered that a budget should be prepared annually (including capital expenditure as a separate item) and used as a cost-monitoring tool for comparison with previous years and for preparing forthcoming budgets. | <ul style="list-style-type: none"> PVIC should, at or prior to establishing the irrigation period and the water allocation, prepare an annual budget including details of proposed capital expenditure; and Financial monitoring should include a comparison of budget and actual expenditure. <p>Recommendation of Previous Review</p> <p>In the next revision of the Asset Management Plan:</p> <ul style="list-style-type: none"> Include more financial information in the Appendices to the Asset Management Plan, to provide a) better analysis of past performance and to assist future planning, including Balance Sheet and Operating Statement projections; Develop a new financial plan for next 5 years from 2012/13; and Include actual/budget income and expenses for the past three years. | <p>Date of Action – In Progress (estimated completion date 10th January 2018)</p> <p>Action / Proposed action-</p> <ul style="list-style-type: none"> -To update financial plan as per these recommendations. - set up a process to annually prepare a budget prior to the irrigation period, and then compare budgeted and actual expenditure. - implement recommendations of previous review as advised. |
| 10/2017 | <ul style="list-style-type: none"> Rating: C 3; Component: Capital Expenditure Planning; and Details: <ul style="list-style-type: none"> Reviewer notes that the five-year financial plan for the period 2012/13 to 2016/17 includes expenditure of \$6,000 on gates for the 2012/13 period only. The asset register however, indicates | <p>Recommendation 10/2017</p> <ul style="list-style-type: none"> PVIC should prepare an annual budget including details of capital works expenditure and that the budgets form a basis for monthly monitoring and annual comparison of budgeted and actual expenditure. | <p>Action undertaken/to be undertaken by – Secretary & CEO</p> <p>Date of Action – In Progress (estimated completion date 10th January 2018)</p> |

| Current Review: Issues and Recommendations | | | |
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| B. Unresolved at End of Current Review Period | | | |
| Asset Management System Effectiveness Rating | | | |
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| Criteria/Details of Asset Management System Issue | | | |
| 10/2017 (continued) | <p>no expenditure in 2012/13 for new gates, but expenditure of approximately \$11,000 on new gates in 2016/17; and</p> <ul style="list-style-type: none"> While recognising that PVIC has responsibly operated the scheme and funded capital works from revenue, it is considered that the preparation of budgets, together with ongoing monthly and annual comparison of budgeted and actual expenditure should be formalised. Also, the discrepancy noted above could have been avoided. | | <p>Action / Proposed action- Prepare monthly budgets and ensure there is a comparison process between budgeted and actual expenditure.</p> |
| 11/2017 | <ul style="list-style-type: none"> Rating: C 3; Component: Review of Asset Management System; and Details: <ul style="list-style-type: none"> The AMP indicates the document was initially prepared in 1998 and revised in June 2004, December 2006 and December 2013. The 2013 revision and the preparation of the 2012/13 to 2016/17 financial plan offer the only indication of implementation of the recommendation of the previous review by Quantum. | <p>Recommendation 11/2017</p> <ul style="list-style-type: none"> PVIC is to document the review process in the Asset Management Plan including information such as who is involved and how frequently it is reviewed and what is reviewed. | <p>Action undertaken/to be undertaken by – Secretary & CEO, Waterman</p> <p>Date of Action – In Progress (estimated completion date 10th January 2018)</p> <p>Action / Proposed action- - develop and implement a review process of the AMP.</p> |

Table 17: Current Review: Deficiencies and Recommendations (Part B)



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