



Preston Valley Irrigation Co-
operative Limited

Water Services Operating Licence

Operational Audit and Asset
Management System Effectiveness
Review

Report
11 September 2017

PAXON GROUP

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1 Executive Summary

1.1 Operational Audit

Audit Objective

The operational audit ("Audit") was conducted to assess Preston Valley Irrigation Co-operative Limited's ("PVIC") level of compliance with the conditions of its licence.

The Audit covered the period from the 1st February 2012 to the 28th February 2017 ("Audit Period") inclusive.

Licence, Business and Major Changes

PVIC provides water services under the provisions of a Water Services (Operating) Licence issued by the Economic Regulation Authority ("ERA").

PVIC was granted a Water Services Operating Licence ("WSOL") by the ERA. The WSOL commenced on the 29th June 1998 and authorises PVIC to provide non-potable water supply services and irrigation services.

The legislation that governs the licensing of water service providers is the Water Services Act 2012 ("Act"). On 18 November 2013, the Act repealed and replaced the licensing provisions in the Water Services Licensing Act 1995.

No major change in the business of PVIC took place during the Audit Period.

PVIC's Actions on Previous Audit Report Recommendations

Quantum Assurance conducted the previous Audit in 2012. The 2012 Audit Report, dated the 14th of August 2012, identified 2 non-compliances and provided detailed recommendations to resolve the issues identified.

This Audit assessed the actions taken by PVIC in response to the non-compliances included in the Audit Report dated the 14th of August 2012. This Audit determined that one of the two previous identified non-compliances is no longer applicable and the other one is not resolved.

Details of these non-compliances and recommendations included in the previous Audit Report, its status and any further action required is included in Table 5 entitled: *"Previous Audit: Non-Compliances and Recommendations"*.

Summary of Non-Compliances and Recommendations Arising from the Current Audit

The Audit identified a few incidences of non-compliance with the conditions of PVIC's WSOL.

Detailed information as to the compliance issues and recommendations arising from the current Audit are contained in Table 12 entitled: *"Current Audit: Non-Compliances and Recommendations"* as in section 4 of this Report.

Control Environment

The control environment operated by PVIC to help ensure compliance with its Licence conditions is assessed to be unsatisfactory.

Detailed information as to the control environment issues and recommendations arising from the current Audit is contained in Table 10 entitled: *“Audit Observations and Recommendations: Water Services Act 2012”* as in section 4 of this Report.

Licence Compliance

In the auditor’s professional view, apart from the issues (unresolved from the previous Audit) and incidences (current Audit) referred to above, PVIC is complying with the conditions of its Licence.

The Table on the next page provides a summary of the findings of the Audit from the perspective of the Audit priority applied across each individual compliance obligation. Further information, for each individual compliance obligation, is available as follows:

- Summarised assessments per obligation are disclosed in:
 - Table 8 entitled: *“Audit: Obligation Ratings Summary – Water Services Act 2012”* as in section 4 of this Report; and
 - Table 9 entitled: *“Audit: Obligation Ratings Summary – Water Services Licensing Act 1995”* as in section 4 of this Report.
- Detailed findings, including observations and recommendations, per obligation are disclosed in:
 - Table 10 entitled: *“Audit Observations and Recommendations: Water Services Act 2012”* as in section 4 of this Report; and
 - Table 11 entitled: *“Audit Observations and Recommendations: Water Services Licensing Act 1995”* as in section 4 of this Report.

Audit	Adequacy of Controls Rating						Compliance Rating					
Audit Priority Applied	Adequate Controls	Generally Adequate Controls	Inadequate Controls	No Controls Evident	Not Performed	Not Applicable	Compliant	Non-compliant – Minor Impact	Non-compliant – Moderate Impact	Non-compliant – Major Impact	Not Rated	Not Applicable
	A	B	C	D	NP	NA	1	2	3	4	NR	NA
1 (Highest)												
2	10	1		9	1		9	2		1	9	
3												
4	2		1	14		4	5	4		2	6	4
5 (Lowest)	1			61		12	12	7		1	53	1
Not applicable						30						30
Not used						5						5
Total	13	1	1	84	1	51	26	13		4	68	40

Table 1: Summary of Audit Findings

1.2 Asset Management System Review

Review Objective

The Water Services Licensing Act 1995 and the current Act each requires that PVIC provides for and maintains an asset management system. The system should set out the processes to be taken by PVIC to ensure the proper planning, operation, financing, maintenance, repair and renewal of its assets and for monitoring of its water services. The Act requires that PVIC provides the ERA with a report by an independent expert on the effectiveness of the system.

This asset management system effectiveness review (“Review”) will provide the ERA with an independent opinion on whether or not PVIC has in place the appropriate systems for the planning, construction, operation and maintenance of its water services assets.

A detailed description of the scope of the Review and the methodology adopted is provided in Section 2 of this report.

The Review covered the period from the 1st February 2012 to the 28th February 2017 inclusive.

Summary of Conclusions

This Review concludes that PVIC manages and operates all areas of its irrigation and non-potable system in a professional and competent manner. Its asset management system is manually operated, adequate and practical. Written communications and data are stored electronically.

PVIC is consistently achieving or exceeding the standards required of its licence and associated agreements - related to sourcing of raw water from the Water Corporation's Glen Mervyn dam and its subsequent delivery as a non-potable water supply for irrigation and private use by property owners along the Preston River.

Its operating personnel, comprised of the CEO, Accounts Secretary and Waterman, (all part-time) are a competent and focussed group.

From consideration of the generic requirements of the ERA's assessment guidelines, the *"Process and Policy"* definition contained in PVIC's Asset Management Plan ("AMP") and supporting documents was generally rated at level C (requires significant improvement). This assessment was due primarily to PVIC's failure to implement the recommendations of the 2012 review.

PVIC's *"Asset Management Performance"* was assessed as Level 1 – (Performing Effectively) in three cases and Level 2 – (Opportunity for Improvement) in six cases. The components Contingency Planning, Capital Expenditure Planning and Asset Management System Review were rated at Level 3 (Corrective Action Required).

Given the simple nature of PVIC's management and operations, its asset management system definition and implementation are considered appropriate and effective—subject to implementation of the three recommendations of the previous report and the eight recommendations of this current report.

PVIC's Actions on Previous Review Report Recommendations

The previous Review of PVIC's Asset Management System was conducted by Quantum Assurance in 2012.

The Review report made three recommendations, one in each of Asset Planning, Asset Operations and Financial Planning. These all remain unresolved due to a lack of adequate staff to prepare and implement the recommendations.

The recommendations of the above Review and subsequent status related to each recommendation, are provided in Table 6 entitled: *"Previous Review: Deficiencies and Recommendations"* as included in section 3 of this Report are summarised as follows:

Asset Operations

- Recommendation 2.2/2012: –
 - Update the Asset Meter Register and Maintenance Record with the installation date for all meters currently on the other Asset Register (Partly Resolved); 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 (No longer applicable).

Financial Planning

- Recommendation 2.3/2012: Unresolved-
 - 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.

Licence Compliance

Tables 8 & 9 of the ERA's: *"Audit and Review Guidelines: Water Licences – July 2014"* provided the basis for assessment of the effectiveness during the Review.

The Reviewer's assessment (based on the above tables) of the effectiveness of PVIC's Asset Management System is summarised in Table 2 entitled: *"Summary of Review Findings"* on the following page:

Asset Management System	Asset Management Process and Policy Definition Adequacy Rating				Asset Management Performance Rating			
Component	Adequately Defined	Requires Some Improvement	Requires Significant Improvement	Inadequate	Performing Effectively	Opportunity for Improvement	Corrective Action Required	Serious Action Required
	A	B	C	D	1	2	3	4
Asset Planning			✓			✓		
Asset Creation and Acquisition			✓			✓		
Asset Disposal			✓			✓		
Environmental Analysis		✓			✓			
Asset Operations			✓		✓			
Asset Maintenance			✓		✓			
Asset Management Information System			✓			✓		
Risk Management			✓			✓		
Contingency Planning			✓				✓	
Financial Planning			✓			✓		
Capital Expenditure Planning			✓				✓	
Review of Asset Management System			✓				✓	

Table 2: Summary of Review Findings

2 Scope of Work

2.1 Objectives

2.1.1 Operational Audit

The objective of the Audit was to assess the effectiveness of measures taken by PVIC to meet the conditions referred to in the Licence including the legislative obligations called up by the Licence.

This Audit Report identifies areas where improvement is required and recommends corrective action (see Table 12 entitled: *“Current Audit: Non-Compliances and Recommendations”* as in section 4 of this Report).

2.1.2 Asset Management System Effectiveness Review

The objective of the Review was to assess the measures taken by PVIC for the proper management of assets used in the provision and operation of services and, where appropriate, the construction or alteration of relevant assets.

This Review Report identifies areas where improvement is required and recommends corrective action (see Table 17 entitled: *“Current Review: Deficiencies and Recommendations”*).

2.2 Scope

2.2.1 Operational Audit

The Audit focused 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 included the adequacy and effectiveness of performance against the requirements of the Licence and considered:

- **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 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 ERA; and
- **Compliance with any individual licence conditions** – the requirements imposed on the specific licensee by the ERA or specific issues that are advised by the ERA.

Further references to the Audit scope is covered in detail in this section of the Report.

2.2.2 Asset Management System Effectiveness Review

The Review focused on the asset management system, including asset management plans, which set out the measures that are to be taken by PVIC for the proper operation and maintenance of assets. The plans must convey PVIC's business strategies to ensure the effective management of assets over at least a five-year period.

The scope of the Review included an assessment of the adequacy and effectiveness of the asset management system by evaluation of the 12 key asset management processes mandated, being;

- Asset planning;
- Asset creation/acquisition;
- Asset disposal;
- Environmental analysis;
- Asset operations;
- Asset maintenance;
- Asset management information system;
- Risk management;
- Contingency planning;
- Financial planning;
- Capital expenditure planning; and
- Asset management system.

Further references to the Review scope is covered in detail in this section of the Report.

2.3 Audit/Review Methodology

2.3.1 Audit Plan

A risk-based approach was used to develop an Audit and Review Plan, to assess the appropriate risk factors to focus the Audit and Review on higher risk areas, with less intensive coverage of medium and lower risk areas.

2.3.2 Fieldwork

- Conducted an initial meeting with relevant staff at PVIC and reviewed processes to obtain an understanding of procedures, systems and controls in place to ensure compliance with license conditions;
- Evaluated the adequacy of the controls to cover the identified risks and performed more extensive audit/review testing of higher risk areas to provide sufficient assurance and confirmed lower risk areas by discussion and observation;
- Assessed compliance with License conditions over the Audit/Review Period as well as at the time of the Audit/Review;
- Followed up and confirmed action taken on any previous Audit/Review issues and recommendations;
- Researched the issues, weaknesses and potential improvements noted from our

discussions and review of the existing processes; and

- Developed appropriate recommendations for improvement for discussion with management.

2.3.3 Audit Reporting

- Prior to the conclusion of the Audit/Review visit, discussed any observations and recommendations with the representative of PVIC to confirm understanding of the issues and to agree upon the action to be taken;
- Provided a draft Audit and Review Report to the ERA for review. The ERA provided comments on the Draft Audit and Review Report to Paxon. Paxon considered the ERA's comments and made amendments to the Draft Audit and Review Report, as appropriate; and
- Provided the final Audit and Review Report to the ERA.

The ERA will forward the draft Audit and Review Report, with the ERA's comments to PVIC for their comment. The ERA will procure the post-audit implementation plan from the PVIC.

2.4 Time Interval Covered in Audit/Review

The Audit/Review covered the period from the 1st February 2012 to the 28th February 2017. The previous Audit/Review covered the period from the 1st February 2007 to the 31st January 2012.

2.5 Audit/Review Dates

The Audit/Review was conducted during June 2017.

2.6 Licensee's Representatives

PVIC employees who participated in the Audit and Review were as follows:

Staff Member	Position
James Fernley	Chief Executive Officer
Ms Teresa Patane	Accounts Secretary

Table 3: PVIC Employees Who Participated in the Audit and Review

2.7 Key Documents and Other Information Sources

2.7.1 Operational Audit

Details of key documents and other information sources examined during the Audit are as follows:

- Water Services Act 2012;
- Water Services Code of Conduct (Customer Service Standards) 2013;
- Water Services Regulations 2013;

- Audit and Review Guidelines: Water Licences – July 2014;
- Water Compliance Reporting Manual – Water Services Licensing Act 1995 – July 2012;
- Water Compliance Reporting Manual – Water Services Act 2012 – April 2014;
- Water Compliance Reporting Manual – Water Services Act 2012 – July 2016;
- Water Services Operating Licence – Preston Valley Irrigation Cooperative Limited – WL 9, Version 2, 15 May 2009;
- Water Services Operating Licence – Preston Valley Irrigation Cooperative Limited – WL 9, Version 3, 3 December 2012;
- Water Services Operating Licence – Preston Valley Irrigation Co-operative – WL 9, Version 4, 18 November 2013;
- Water Services Licence - Preston Valley Irrigation Co-operative – WL 9, Version 6, 27 July 2016;
- Preston Valley Irrigation Co-operative - Audit and Review Plan - Operational Audit and Asset Management System Effectiveness Review of the Water Services (Operating) Licence for 2012-2017;
- Quantum Assurance – Preston Valley Irrigation Cooperative – Water Services Operating Licence – (Irrigation Services and Non-Potable Water Supply) – Operational Audit and Asset Management System Review – Final Report – July 2012;
- Preston Valley Irrigation Cooperative Ltd – 2013 Annual Report;
- 16th Annual Report - Preston Valley Irrigation Co-operative Limited – for the Year Ended 30/06/2014;
- 17th Annual Report - Preston Valley Irrigation Co-operative Limited – for the Year Ended 30/06/2015;
- 17th Annual Report - Preston Valley Irrigation Co-operative Limited – for the Year Ended 30/06/2016;
- Preston Valley Irrigation Co-operative Limited – Information to Prospective Irrigators;
- Preston Valley Irrigation Co-operative Ltd – Customer Service Charter for Preston Valley Irrigation Scheme 2015;
- Preston Valley Irrigation Cooperative Limited – Asset Management Plan for Preston Valley Irrigation Scheme 1998;
- Compliance Report – 1 July 2011 to 30 June 2012;
- Compliance Report – 1 July 2012 to 30 June 2013;
- Compliance Report – 1 July 2013 to 30 June 2014;
- Compliance Report – 1 July 2014 to 30 June 2015;
- Compliance Report – 1 July 2015 to 30 June 2016;
- Performance Report 2011/2012, 2012/2013, 2013-2014, 2014-2015 and 2015/2016; and
- Tax Invoices.

2.7.2 Asset Management Information System

Details of key documents and other information sources examined during the Review are as follows:

- Water Services Operating Licence – Preston Valley Irrigation Co-operative – WL 9, Version 4, 18 November 2013;
- Water Services Licence - Preston Valley Irrigation Co-operative – WL 9, Version 6, 27 July 2016;
- Quantum Assurance – Preston Valley Irrigation Cooperative – Water Services Operating Licence – (Irrigation Services and Non-Potable Water Supply) – Operational Audit and Asset Management System Review – Final Report – July 2012;
- Audit and Review Guidelines: Water Licences – July 2014;
- Department of Water - Licence to Take Water No. SWL102853, (2016-2026);
- Operating Strategy for PVIC Ltd Sept 2016 Part of Surface Water Licence SWL102853 issued under *Rights in Water Irrigation Act 1914*;
- Compliance Report – 1 July 2011 to 30 June 2012;
- Compliance Report – 1 July 2012 to 30 June 2013;
- Compliance Report – 1 July 2013 to 30 June 2014;
- Compliance Report – 1 July 2014 to 30 June 2015;
- Compliance Report – 1 July 2015 to 30 June 2016;
- Preston Valley Irrigation Cooperative Limited – Asset Management Plan for Preston Valley Irrigation Scheme 1998 (as revised December 2013);
- PVIC Five-year Financial Statement – 2012-2017;
- PVIC Asset Register 2017;
- PVIC Letter to Irrigators and Newspaper notice advising opening of 2017 Irrigation season; and
- PVIC Letter to Irrigators and Newspaper notice advising closure of 2017 Irrigation season.

2.8 Audit/Review Team Members and Hours Utilised

Audit/Review Team Member	Hours
Cameron Palassis – Executive Director	10
Anton Prinsloo – Senior Consultant	40
Barry Robbins – Barry Robbins Engineering & Project Management	30
TOTAL	80

Table 4: Audit/Review Team Members and Hours Utilised

3 Licensee's Response to Previous Recommendations

3.1 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	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/Not Applicable)
	Legislative Obligation and			Details of Further Action Required (Including Current Recommendation Reference if Applicable)
	Details of the Issue			

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. 	<ul style="list-style-type: none"> FAR: yes; Details: as recommended in 1.1/2012; and Background: <ul style="list-style-type: none"> Paxon has noted the following in respect of the submission of the Compliance Reports and Performance Reports during the Audit Period: <ul style="list-style-type: none"> 2011-2012 reports were submitted in time; 2012-2013: Compliance Report was submitted late and no record was presented to Paxon as to the submission of the Performance Report; 2013-2014: Compliance Report was submitted late and no record was presented to Paxon as to the submission of the Performance Report; 2014-2015: reports were submitted in time; and 2015-2016: Performance Report was submitted late. Paxon has noted the current Reporting Matrix used by the PVIC does refer to the obligation to submit annual Compliance Reports and annual Performance Reports to the ERA; and

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 Further Action Required
	Details of the Issue		
1.2/2012 (continued)			<ul style="list-style-type: none"> Paxon has noted proper records were kept in respect of the submission of Compliance Reports and Performance Reports in the 2015 and 2016 calendar years.

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

3.2 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							Details of Further Action Required (Including Current Recommendation Reference if Applicable)	Action Required	
	Criteria/Details of Asset Management System Deficiency									

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						Details of (Including Reference if Applicable)	Further Current	Action Required Recommendation
	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	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		
2.1/2012	<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. 	<ul style="list-style-type: none"> • FAR: yes; and • Details: <ul style="list-style-type: none"> • Implement both recommendations made in 2012.
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. 	<ul style="list-style-type: none"> • FAR: yes; and • Details: <ul style="list-style-type: none"> • Update the asset register as per Recommendation Nos. 1 and 2 of this report

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; 	<ul style="list-style-type: none"> FAR: yes; and Details: <ul style="list-style-type: none"> Implement the recommendations made in 2012 together with Recommendation 07/2017 of this Report.

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	
	Criteria/Details of Asset Management System Deficiency	Details of Further Action Required	
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. 	

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

4 Operational Audit: Comprehensive Report

4.1 Audit Compliance and Controls Rating Scales

The compliance and controls ratings allocated to each Licence condition are set out in the following table - taken from the ERA's document entitled: *"Audit and Review Guidelines: Water Licences – July 2014"* ("ERA's Guidelines").

Audit Compliance and Controls Rating Scales ERA's Guidelines: Table No. 6 (as amended)

Operational Audit: Controls Rating and Compliance Rating Scales			
Adequacy of Controls Rating		Compliance Rating	
Rating	Description	Rating	Description
A	Adequate controls – no improvement needed	1	Compliant
B	Generally adequate controls – improvement needed	2	Non-compliant – minor impact on customers or third parties
C	Inadequate controls – significant improvement required	3	Non-compliant – moderate impact on customers or third parties
D	No controls evident	4	Non-compliant – major impact on customers or third parties
NP	Not performed	NR	Obligation was not rated as no activity took place to exercise the obligation during the Audit Period
NA	Obligation identified as not applicable during the Audit Period	NA	Obligation identified as not applicable during the Audit Period

Table 7: Audit Compliance and Controls Rating Scales

The Audit Compliance and Controls Rating Scales, as contained in the ERA's Guidelines: Table number 6 were amended to include the following ratings:

- Adequacy of controls rating: "NP";
- Adequacy of controls ratings: "NA";
- Compliance rating: "NR"; and
- Compliance rating: "NA".

4.2 Audit: Obligation Ratings Summary – Water Services Act 2012

No. ¹	Obligation Under:		Abbreviated Description of Obligation (See the Sources Quoted Below the Heading: “Obligation Under” for the Exact Wording of the Obligation)	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Adequacy of Controls Rating						Compliance Rating					
	Water Services Act 2012	Water Services Licence – Version 6			(Refer to the 4-point rating scale in Table 7 for details)						(Refer to the 4-point rating scale in Table 7 for details)					
	Section Number	Clause Number			A	B	C	D	NP	NA	1	2	3	4	NR	NA
1	21(1)(a)	3.3.1 (a)	Duty to provide services and do works	2				✓			✓					
2	21(1)(b)	3.3.1 (b)		2		✓					✓					
3	21(1)(c)	3.1.1 & 3.5		2	✓						✓					
4	22	3.4.1	Provision of water services outside operating areas	2				✓							✓	
5	23	3.5	Works holding arrangements	2				✓			✓					
6	24(1)(a) & 24(2)	4.1.1	Asset management system	4			✓				✓					
7	24(1)(b)	4.1.1 & 4.1.2		4				✓							✓	
8	24(1)(c)	4.1.3		5				✓			✓					
9	25	4.3.1	Operational audit	5				✓			✓					
10	26(3)	3.1.1	Compliance with codes of practice made by Minister	n/a						✓						✓
11	27	3.1.1	Compliance with code of conduct made by Authority	4						✓						✓
12	29	3.1.1	Licensee must comply with duties under Act	4				✓								✓
13	36	3.1.1	Provision of a water service ceasing – duty to leave system in safe condition	2				✓			✓					

¹ 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”

No. ¹	Obligation Under:		Abbreviated Description of Obligation (See the Sources Quoted Below the Heading: “Obligation Under” for the Exact Wording of the Obligation)	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Adequacy of Controls Rating						Compliance Rating					
	Water Services Act 2012	Water Services Licence – Version 6			(Refer to the 4-point rating scale in Table 7 for details)						(Refer to the 4-point rating scale in Table 7 for details)					
	Section Number	Clause Number			A	B	C	D	NP	NA	1	2	3	4	NR	NA
14	60	5.6.1	Duty to perform functions of supplier of last resort	4						✓					✓	
15	66	5.5.1	Requirements for scheme or amendment to be approved	5				✓							✓	
16	77(3)	3.1.1	Interruption of water services generally	5				✓							✓	
17	82(4) & (5)	3.1.1	Notification of and requirements as to building work	5						✓						✓
18	84(2)	3.1.1	Ensuring water service works are done	2				✓							✓	
19	87(2)	3.1.1	Review of certain decisions under or relating to this Division	2				✓							✓	
20	90(7)	3.1.1	Construction etc. over or in vicinity of water service works of licensee	2				✓							✓	
21	95(3)	3.1.1	Disconnection or reduction in rate of flow etc.	n/a						✓						✓
22	96(1)	3.1.1	Fire hydrants	n/a						✓						✓
23	96(5)	3.1.1		n/a						✓						✓
24	98(3)	3.1.1	Minister may require connection to sewerage works	n/a						✓						✓
25	106(2)	3.1.1	Compliance notices	n/a				✓							✓	
26	110(3)	3.1.1	Minister may require connection to drainage works	n/a						✓						✓
27	112(5)	3.1.1	Requirement to maintain or modify drainage assets, etc.	n/a						✓						✓
28	119(2)	3.1.1	Compliance notices	5				✓							✓	
29	122(2)	3.1.1	Review of decisions relating to giving compliance notices	5				✓							✓	
30	125(2)	3.1.1	Supplying groups of dwellings	n/a						✓					✓	

No. ¹	Obligation Under:		Abbreviated Description of Obligation (See the Sources Quoted Below the Heading: “Obligation Under” for the Exact Wording of the Obligation)	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Adequacy of Controls Rating						Compliance Rating					
	Water Services Act 2012	Water Services Licence – Version 6			(Refer to the 4-point rating scale in Table 7 for details)						(Refer to the 4-point rating scale in Table 7 for details)					
	Section Number	Clause Number			A	B	C	D	NP	NA	1	2	3	4	NR	NA
31	128(4)	3.1.1	Prohibition on dealings in land	5				✓								✓
32	129(5)	3.1.1	Reading meters etc. and routine inspection and maintenance	5				✓			✓					
33	139(3)	3.1.1	Ancillary works powers	5				✓								✓
34	141(1)	3.1.1	Special provisions applicable to road works	5				✓								✓
35	142	3.1.1	Prerequisites to provision of major works	5				✓								✓
36	143(2)	3.1.1	Licensee to prepare plans and publish and give notice of major works	5				✓								✓
37	143(3)	3.1.1		5				✓								✓
38	144(3)	3.1.1	Objections and submissions	5				✓								✓
39	145(2)	3.1.1	Licensee may amend proposal	5				✓								✓
40	147(3)	3.1.1	Powers of Minister in respect of proposal	5				✓								✓
41	147(4)	3.1.1		5				✓								✓
42	151(1)	3.1.1	Licensee to prepare plans and give notice of general works	5				✓								✓
43	151(2)	3.1.1		5				✓								✓
44	152(3)	3.1.1	Objections and submissions	5				✓								✓
45	153(3)	3.1.1	Licensee may amend proposal	5				✓								✓
46	166(5)	3.1.1	Taking an interest in land for purposes of licensee	5						✓						✓
47	166(6)	3.1.1		5						✓						✓

No. ¹	Obligation Under:		Abbreviated Description of Obligation (See the Sources Quoted Below the Heading: “Obligation Under” for the Exact Wording of the Obligation)	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Adequacy of Controls Rating						Compliance Rating					
	Water Services Act 2012	Water Services Licence – Version 6			(Refer to the 4-point rating scale in Table 7 for details)						(Refer to the 4-point rating scale in Table 7 for details)					
	Section Number	Clause Number			A	B	C	D	NP	NA	1	2	3	4	NR	NA
48	170	3.1.1	Sale of land	5						✓						✓
49	173(4)	3.1.1	Entry with consent or under notice or warrant	5				✓			✓					
50	174(1)	3.1.1	Notice of entry	5				✓				✓				
51	174(3)	3.1.1		5				✓			✓					
52	175(2)	3.1.1	Rights of occupier of dwelling	5						✓						✓
53	175(5)	3.1.1		5						✓						✓
54	176(1)	3.1.1	When authorised person must leave etc.	5				✓								✓
55	176(3)	3.1.1		5				✓								✓
56	176(4)	3.1.1		5				✓								✓
57	181	3.1.1		5				✓								✓
58	186	3.1.1	Contents of application	5				✓								✓
59	187(1) – (3)	3.1.1	How application to be made	5				✓								✓
60	190(4)	3.1.1	Execution of warrant	5				✓								✓
61	190(5)	3.1.1		5				✓								✓
62	210(5)	3.1.1	Designation of inspectors and compliance officers	5				✓				✓				
63	218(2)	3.1.1	Liability of certain persons for damage caused in exercise of powers	5				✓			✓					
64	218(3)	3.1.1		5				✓								✓

Table 8: Audit: Obligation Ratings Summary – Obligations as per ERA's: “Water Compliance Reporting Manual – Water Services Act 2012 – July 2016” (Numbers 1 to 64)

No. ¹	Obligation Under:		Abbreviated Description of Obligation (See the Sources Quoted Below the Heading: “Obligation Under” for the Exact Wording of the Obligation)	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Adequacy of Controls Rating						Compliance Rating					
	Water Services Regulations 2013	Water Services Licence – Version 6			(Refer to the 4-point rating scale in Table 7 for details)						(Refer to the 4-point rating scale in Table 7 for details)					
	Regulation Number	Clause Number			A	B	C	D	NP	NA	1	2	3	4	NR	NA
65	23(2)	3.1.1	Installation of certain meters	n/a						✓						✓
66	24(4)	3.1.1	Access to meters	4				✓							✓	
67	26(3)	3.1.1	Testing water meters	4				✓							✓	
68	26(5)	3.1.1		4				✓							✓	
69	29(2)	3.1.1	Subdivision: deferring infrastructure contributions	n/a						✓						✓
70	42(2)	3.1.1	Backflow prevention devices: installation	n/a						✓						✓
71	43(3)	3.1.1	Backflow prevention devices: testing and maintenance	n/a						✓						✓
72	43(6)	3.1.1		n/a						✓						✓
73	53(3)	3.1.1	Diagrams of drainage plumbing	n/a						✓						✓
74	60(2)	3.1.1	Altering position of service infrastructure in roads	5				✓							✓	
75	63	3.1.1	Roads broken up to be reinstated	5				✓							✓	
76	65(1)	3.1.1	Records	5				✓				✓				
77	65(2)	3.1.1		5				✓				✓				
78	65(4)	3.1.1		5				✓				✓				
79	67	3.1.1		5				✓				✓				
80	68(5)	3.1.1	Objections to entries in records	5				✓							✓	
81	68(6)	3.1.1		5				✓							✓	

No. ¹	Obligation Under:		Abbreviated Description of Obligation (See the Sources Quoted Below the Heading: “Obligation Under” for the Exact Wording of the Obligation)	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Adequacy of Controls Rating						Compliance Rating					
	Water Services Regulations 2013	Water Services Licence – Version 6			(Refer to the 4-point rating scale in Table 7 for details)						(Refer to the 4-point rating scale in Table 7 for details)					
	Regulation Number	Clause Number			A	B	C	D	NP	NA	1	2	3	4	NR	NA
82	68(7)	3.1.1	Objections to entries in records	5				✓							✓	
83	68(8)	3.1.1		5				✓							✓	
84	69(3)	3.1.1		5				✓							✓	
85	70(2)	3.1.1	SAT review of licensee’s decision not to extend time for objection or review	5				✓							✓	
86	74(1)	3.1.1	Amending records after objection or review	5				✓							✓	
87	74(2)	3.1.1		5				✓							✓	
88	75(1)	3.1.1	Certain information to be available to tenants and others	5				✓			✓					
89	85	3.1.1	Compliance notices	5				✓							✓	
90	86(6)	3.1.1	Infringement notices	n/a						✓						✓
91	86(9)	3.1.1		n/a						✓						✓

Table 8: Audit: Obligation Ratings Summary – Obligations as per ERA’s: “Water Compliance Reporting Manual – Water Services Act 2012 – July 2016” (Numbers 65 to 91)

No. ¹	Obligation Under:		Abbreviated Description of Obligation (See the Sources Quoted Below the Heading: "Obligation Under" for the Exact Wording of the Obligation)	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Adequacy of Controls Rating						Compliance Rating					
	Water Services Code of Conduct (Customer Service Standards) 2013	Water Services Licence – Version 6			(Refer to the 4-point rating scale in Table 7 for details)						(Refer to the 4-point rating scale in Table 7 for details)					
	Clause Number	Clause Number			A	B	C	D	NP	NA	1	2	3	4	NR	NA
92 to 154	Obligations 92 to 154 as included in the ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – July 2016" were not applicable to PVIC during the Audit Period.															

Table 8: Audit: Obligation Ratings Summary – Obligations as per ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – July 2016" (Numbers 92 to 154)

No. ¹	Obligation Under:		Abbreviated Description of Obligation (See the Sources Quoted Below the Heading: "Obligation Under" for the Exact Wording of the Obligation)	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Adequacy of Controls Rating						Compliance Rating					
	Water Services Act 2012	Water Services Licence – Version 6			(Refer to the 4-point rating scale in Table 7 for details)						(Refer to the 4-point rating scale in Table 7 for details)					
	Section Number	Clause Number			A	B	C	D	NP	NA	1	2	3	4	NR	NA
155	12	3.2.1	Fees	5				✓			✓					
156	12	3.1.1	Compliance with applicable legislation	2				✓				✓				
157	Not used															
158	Not used															
159	12	3.1.2	Compliance with applicable legislation	2					✓							✓
160	12	3.6.1	Accounting records	5				✓						✓		
161	12	4.2.1	Individual performance standards	n/a						✓						✓
162	12	4.3.4	Operational audit	5				✓			✓					
163	12	3.7.1 (a), (b), (c)	Reporting a change in circumstances	5				✓							✓	
164	Not used															
165	12	3.8.1	Provision of information	4				✓			✓					
166	12	3.8.2		4	✓							✓				
167	12	3.8.3		4	✓						✓					
168	12	2.8.1 & 2.8.2	Publishing information	5				✓							✓	
169	12	2.7.1	Notices	5				✓			✓					
170	Not used															
171	12	4.1.2	Asset management system	5				✓							✓	

No. ¹	Obligation Under:		Abbreviated Description of Obligation (See the Sources Quoted Below the Heading: "Obligation Under" for the Exact Wording of the Obligation)	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Adequacy of Controls Rating						Compliance Rating					
	Water Services Act 2012	Water Services Licence – Version 6			(Refer to the 4-point rating scale in Table 7 for details)						(Refer to the 4-point rating scale in Table 7 for details)					
	Section Number	Clause Number			A	B	C	D	NP	NA	1	2	3	4	NR	NA
172	12	4.1.6	Asset management system	5				✓			✓					
173	12	5.5.1	Water Services Ombudsman Scheme	5				✓			✓					
174	Not used															
175	12	5.1.1	Customer contract	5						✓					✓	
176	12	5.1.2		5						✓					✓	
177	12	5.1.3		5						✓					✓	
178	12	5.1.5		5						✓					✓	
179	12	5.3.1 & 5.3.2	Non-standard terms and conditions of service	5						✓					✓	
180	12	5.3.4		5						✓					✓	
181	12	5.6.1	Supplier of last resort	n/a						✓						✓
182	12	3.4.1 (b)	Provision of water services outside operating area	2				✓							✓	
183	12	5.4.3	Hardship policy	4						✓						✓
184	12	6.1.1	Memorandum of Understanding	n/a						✓						✓
185	12	6.1.2		n/a						✓						✓
186	12	6.1.3		n/a						✓						✓
187	12	6.1.4		n/a						✓						✓
188	12	6.1.5		n/a						✓						✓

No. ¹	Obligation Under:		Abbreviated Description of Obligation (See the Sources Quoted Below the Heading: "Obligation Under" for the Exact Wording of the Obligation)	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Adequacy of Controls Rating						Compliance Rating					
	Water Services Act 2012	Water Services Licence – Version 6			(Refer to the 4-point rating scale in Table 7 for details)						(Refer to the 4-point rating scale in Table 7 for details)					
	Section Number	Clause Number			A	B	C	D	NP	NA	1	2	3	4	NR	NA
189	12	6.1.6	Memorandum of Understanding	n/a						✓						✓
190	12	Schedule 2	Performance standards	2	✓						✓					

Table 8: Audit: Obligation Ratings Summary – Obligations as per ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – July 2016" (Numbers 155 to 190)

4.3 Audit: Obligation Ratings Summary - Water Services Licensing Act 1995

This Summary only lists obligations under Water Services Operating Licence (WSOL) – Versions 2 and 3, which were discontinued under Water Services Operating Licence – Version 4. Obligations included in WSOL - Versions 2 and 3 and carried forward in WSOL – Version 4, are disclosed in section 4.2.

No. ²	Obligation Under:		Abbreviated Description of Obligation (See the Sources Quoted Below the Heading: “Obligation Under” for the Exact Wording of the Obligation)	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Adequacy of Controls Rating (Refer to the 4-point rating scale in Table 7 for details)						Compliance Rating (Refer to the 4-point rating scale in Table 7 for details)					
	Water Services Licensing Act 1995 Section Number	Water Services Operating Licence Clause Number			A	B	C	D	NP	NA	1	2	3	4	NR	NA
2	33	19	Individual performance standards	5	✓							✓				
7	38(2)	20.1 and Sch. 4	Service and performance standards	2	✓							✓				
9	N/A	6.1	Customer complaints	2	✓						✓					
10	N/A	Sch. 3 Cl. 3.1		2				✓			✓					
11	N/A	Sch. 3 Cl. 3.8		n/a						✓						✓
12	N/A	Sch. 3 Cl. 3.2 (b)		2				✓			✓					
13	N/A	Sch. 3 Cl. 3.9 (b)		n/a						✓						✓
14	N/A	Sch. 3 Cl. 3.2 (d)		2				✓						✓		
15	N/A	Sch. 3 Cl. 3.4		2	✓										✓	
16	N/A	Sch. 3 Cl. 3.10		n/a						✓						✓
17	N/A	Sch. 3 Cl. 3.6		2	✓										✓	
2	The ‘No.’ refers to the compliance obligation reference number, as per the ERA’s document entitled: “Water Compliance Reporting Manual – Water Services Licensing Act 1995 – July 2012”															

No. ²	Obligation Under:		Abbreviated Description of Obligation (See the Sources Quoted Below the Heading: "Obligation Under" for the Exact Wording of the Obligation)	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Adequacy of Controls Rating (Refer to the 4-point rating scale in Table 7 for details)						Compliance Rating (Refer to the 4-point rating scale in Table 7 for details)					
	Water Services Licensing Act 1995	Water Services Operating Licence														
	Section Number	Clause Number			A	B	C	D	NP	NA	1	2	3	4	NR	NA
18	N/A	Sch. 3 Cl. 3.7	Customer complaints	2	✓										✓	
19	N/A	Cl. 7.1	Customer Service Charter	4						✓	✓					
20	N/A	Sch. 3 Cl. 2.5		4				✓				✓				
21	N/A	Sch. 3 Cl. 2.6		4				✓								✓
22	N/A	Sch. 3 Cl. 2.7		4				✓			✓					
23	N/A	Cl. 8		4				✓				✓				
24	N/A	Sch. 3 Cl. 4.1	Customer consultation	4				✓				✓				
25	N/A	Sch. 3 Cl. 4.2		4				✓						✓		
26	N/A	Sch. 3 Cl. 4.3		4				✓							✓	
27	N/A	Sch. 3 Cl. 4.4		4				✓						✓		
28	N/A	Sch. 3 Cl. 4.5		n/a						✓						✓
29	N/A	Sch. 3 Cl. 4.6	Customer surveys	n/a						✓						✓
32	N/A	Sch. 3, Cl. 6		5				✓							✓	

Table 9: Audit: Obligation Ratings Summary – Obligations as per the ERA's: "Water Compliance Reporting Manual – Water Services Licensing Act 1995 – July 2012"

4.4 Audit Observations and Recommendations: Water Services Act 2012

No. ³	Obligation Under:		Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 - Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number			Including Recommendations		
1	21(1)(a)	3.3.1 (a)	The licensee must provide a water service authorised by the licence to persons entitled to the service under the Act, except to the extent otherwise provided for by the Act.	2	<ul style="list-style-type: none"> Preston Valley Irrigation Co-operative Limited (“PVIC”) has stated it did provide non-potable water supply services to all persons who applied therefor during the Audit Period; 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. 	D	1

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”

No. ³	Obligation Under:		Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number			Including Recommendations		
1 (cont.)					<p>(hereinafter collectively referred to as the “PVIC’s Administrative Documents”);</p> <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. <p>(hereinafter collectively referred to as the “Water Legislation”); and</p> <ul style="list-style-type: none"> • 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”. <p>Recommendation 01/2017:</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. 		

No. ³	Obligation Under:		Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number			Including Recommendations		
2	21(1)(b)	3.3.1 (b)	The licensee must offer to provide a water service on reasonable terms, unless provision of the service is not financially viable or is otherwise not practicable, to persons within the operating area who are not entitled to the service under the Act.	2	<ul style="list-style-type: none"> • Due to the nature and intent of the PVIC, irrigation services are only provided to its shareholders; • 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> • Paxon has noted the Water Services Licence, WL9, Version 6, 27 July 2016 refers to Plan Number “OWR-OA-193 (C)”; • PVIC has stated it did provide non-potable water supply services to all persons who applied therefor during the Audit Period; and • Paxon has noted the PVIC uses four different application forms and a document entitled: <i>“Secretarial Procedures”</i> to manage applications for water services. Recommendation 02/2017: <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. 	B	1

No. ³	Obligation Under:			Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
	Water Services Act 2012	Water Services Licence – Version 6					Controls	Compliance
	Section Number	Clause Number				Including Recommendations		
3	21(1)(c)	3.1.1 & 3.5		The licensee must provide, operate and maintain the water service works specified by the ERA in the licence.	2	<ul style="list-style-type: none"> PVIC has stated it did provide, operated and maintained the water service works as specified in the licence during the Audit Period. PVIC further stated maintenance of the water service works was undertaken by PVIC employees during the Audit Period; and Paxon has noted the Asset Management Plan includes specific sections entitled: “Operational Plan” and “Maintenance Plan”. 	A	1
4	22	3.4.1		The licensee must notify the ERA as soon as practicable before commencing to provide the water service outside of the operating area of the licence.	2	<ul style="list-style-type: none"> PVIC has stated it did not provide any water services outside of the operating area of the licence during the Audit Period; 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). 	D	NR
5	23	3.5		All water service works used by the licensee in the provision of a water service must be held by the licensee, or must be covered by a works holding arrangement.	2	<ul style="list-style-type: none"> PVIC has stated it did own all water service works used by it for the provision of water services during the Audit Period; 	D	1

No. ³	Obligation Under:		Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number			Including Recommendations		
5 (cont.)					<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). 		
6	24(1)(a) & (2)	4.1.1	The licensee must have an asset management system that provides for the operation and maintenance of the water service works.	4	<ul style="list-style-type: none"> PVIC does have an Asset Management Plan; Paxon has noted the Asset Management Plan includes specific sections entitled: "<i>Operational Plan</i>" and "<i>Maintenance Plan</i>"; The Asset Management Plan was last updated in December 2013. This Plan contains a reference to a previous secretary and accountant; and A recommendation (02/2017) was made in respect of updating the Asset Management Plan to refer to current Water Legislation and the current environment within which the PVIC operates (see compliance obligation number 2 above). 	C	1
7	24(1)(b)	4.1.1 & 4.1.2	The licensee must give details of the asset management system and any changes to it to the ERA.	4	<ul style="list-style-type: none"> PVIC has stated no changes to its asset management system took place during the Audit Period; 	D	NR

No. ³	Obligation Under:		Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number			Including Recommendations		
7 (cont.)					<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). 		
8	24(1)(c)	4.1.3	A licensee must provide the ERA with a report by an independent expert as to the effectiveness of its asset management system every 24 months, or such longer period as determined by the ERA.	5	<ul style="list-style-type: none"> Quantum Assurance performed an Operational Audit and Asset Management System Review for the period 1 February 2007 to 31 January 2012; Paxon Group has been appointed to perform an Operational Audit and Asset Management System Effectiveness Review for the period 1 February 2012 to 28 February 2017; Paxon has noted the Asset Management Plan refers to a 36 months interval for the conduct of an Operational Audit and Asset Management System Review Legislation; and A recommendation (01/2017) was made in this regard (see compliance obligation number 1 above). 	D	1
9	25	4.3.1	A licensee must, not less than once every 24 months, or such longer period as determined by the ERA, provide the ERA with an operational audit	5	<ul style="list-style-type: none"> Quantum Assurance performed an Operational Audit and Asset Management System Review for the period 1 February 2007 to 31 January 2012; 	D	1

No. ³	Obligation Under:		Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number			Including Recommendations		
9 (cont.)			conducted by an independent expert appointed by the ERA.		<ul style="list-style-type: none"> Paxon Group has been appointed to perform an Operational Audit and Asset Management System Effectiveness Review for the period 1 February 2012 to 28 February 2017; 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). 		
10	26(3)	3.1.1	The licensee must comply with each code of practice made by the Minister to the extent to which it applies to the licensee.	n/a	<ul style="list-style-type: none"> As per the document entitled: <i>"Preston Valley Irrigation Co-operative - Audit and Review Plan"</i>, as approved by the ERA, this obligation was not applicable to PVIC during the Audit Period. 	NA	NA
11	27	3.1.1	The licensee must comply with the code of conduct that may be made by the ERA to the extent to which it applies to the licensee and is not inconsistent with the licence.	4	<ul style="list-style-type: none"> The Water Services Code of Conduct (Customer Service Standards) 2013 ("Code of Conduct") was not applicable to the PVIC during the Audit Period as detailed on pages 75 to 76 of this Report. 	NA	NA
12	29	3.1.1	The licensee must comply with the duties imposed on it by the Act in relation to its licence and must carry out its operations in respect of the licence in accordance with the Act.	4	<ul style="list-style-type: none"> Compliance with the Water Services Act 2012 ("Act") is specifically addressed in this Report (see Reference Numbers 1 to 64 and 155 to 190 below); 	D	NA

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	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
12 (cont.)					<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). 		
13	36	3.1.1	If the licensee ceases to provide a water service in an area, the licensee must ensure that the water service works are left in a safe condition, and must not remove any part of the works except with the approval of the Minister.	2	<ul style="list-style-type: none"> PVIC has stated instances did occur where water meters were removed during the Audit Period. PVIC has stated pipes were left in a safe condition; 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). 	D	1
14	60	5.6.1	If the licensee is the supplier of last resort for a designated area, the licensee must perform the functions of the supplier of last resort and must comply with the relevant duties and carry out the relevant operations prescribed.	4	<ul style="list-style-type: none"> PVIC has stated it was not a supplier of last resort during the Audit Period; and Specific systems, processes and controls are only expected to be put in place when the stipulations of this clause are applicable. 	NA	NR

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	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number			Including Recommendations		
15	66	5.5.1	Licensees who are required to be a member of the water services ombudsman scheme agree to be bound by, and compliant with, any decision of direction of the water services ombudsman under the scheme.	5	<ul style="list-style-type: none"> PVIC has stated no decisions or directions were given by the Western Australian Energy and Water Ombudsman (Ombudsman) during the Audit Period; 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). 	D	NR
16	77(3)	3.1.1	The licensee must take reasonable steps to minimise the extent or duration of any interruption of water services it is responsible for.	5	<ul style="list-style-type: none"> PVIC has stated water services were not interrupted during the Audit Period; 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). 	D	NR
17	82(4) & (5)	3.1.1	If a person must give the licensee notice of any building work to be carried out on land in the operating area of a license, the licensee must return a copy of the plans and specifications contained in the notice with any written directions about the	5	<ul style="list-style-type: none"> PVIC has stated no building works are allowed on the river's edge where its water meters are located; and Due to the nature and manner of the services provided by PVIC no systems, processes and 	NA	NA

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	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number			Including Recommendations		
17 (cont.)			proposed building work that the licensee considers necessary to ensure the safety and efficacy of the provision of water services provided, or to be provided. The licensee must do this within 7 days of receiving the fee for dealing with the notification.		controls are expected to be in place to ensure compliance with this obligation.		
18	84(2)	3.1.1	If the licensee has given a notice under section 83(3)(a) of the Act, and the licensee is satisfied that the person given the notice is not going to comply with the notice within a reasonable time, the licensee must give the person 21 days' notice of its intention to commence the works.	2	<ul style="list-style-type: none"> PVIC has stated no notices were given under section 83(3)(a) of the Act during the Audit Period and thus section 84(2) of the Act in respect of giving 21 days' notice of the PVIC's intention to commence works was not applicable; 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). 	D	NR
19	87(2)	3.1.1	If a person makes an application with the State Administrative Tribunal for a review of a decision in respect of the licensee providing additional water services when a person has not responded to the licensee's notice, the licensee cannot provide the works until the application has been finally dealt with, except in limited circumstances.	2	<ul style="list-style-type: none"> PVIC has stated it has no knowledge of any application made to the State Administrative Tribunal during the Audit Period; Paxon has noted the PVIC's Administrative Documents do not refer to this compliance obligation in terms of the Water Legislation; and 	D	NR

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	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number			Including Recommendations		
19 (cont.)					<ul style="list-style-type: none"> A recommendation (01/2017) was made in this regard (see compliance obligation number 1 above). 		
20	90(7)	3.1.1	If the licensee gives a compliance notice to a person who is undertaking construction or carrying out similar works in the vicinity of water service works, the licensee must, to the extent practicable, consult with the owner of the land on which the obstruction is located or the activity is taking place if the person to be given the notice is not the owner of the land.	2	<ul style="list-style-type: none"> PVIC has stated no compliance notices were given during the Audit Period; 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). 	D	NR
21	95(3)	3.1.1	The licensee cannot cut off the supply of water to an occupied dwelling unless the occupier agrees to that.	n/a	<ul style="list-style-type: none"> As per the document entitled: <i>"Preston Valley Irrigation Co-operative - Audit and Review Plan"</i>, as approved by the ERA, this obligation was not applicable to PVIC during the Audit Period. 	NA	NA
22	96(1)	3.1.1	If the licensee provides water supply reticulation works, or enters into an agreement for the provision of water supply reticulation works, the licensee must install fire hydrants attached to those works in accordance with the requirements of FESA, or the relevant local government as to the location and type of hydrant.	n/a	<ul style="list-style-type: none"> As per the document entitled: <i>"Preston Valley Irrigation Co-operative - Audit and Review Plan"</i>, as approved by the ERA, this obligation was not applicable to PVIC during the Audit Period. 	NA	NA

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	Section Number	Clause Number			Including Recommendations		
23	96(5)	3.1.1	The licensee must comply with requests made by FESA or a local government under sections 96(3) and 96(4) of the Act to the extent practicable and within a reasonable time.	n/a	<ul style="list-style-type: none"> As per the document entitled: <i>“Preston Valley Irrigation Co-operative - Audit and Review Plan”</i>, as approved by the ERA, this obligation was not applicable to PVIC during the Audit Period. 	NA	NA
24	98(3)	3.1.1	If required to by the Minister, the licensee must connect a wastewater inlet on land to the sewerage works of the licensee.	n/a	<ul style="list-style-type: none"> As per the document entitled: <i>“Preston Valley Irrigation Co-operative - Audit and Review Plan”</i>, as approved by the ERA, this obligation was not applicable to PVIC during the Audit Period. 	NA	NA
25	106(2)	3.1.1	The licensee must include the information specified in a compliance notice given in relation to failure to maintain fittings, fixtures and pipes.	n/a	<ul style="list-style-type: none"> PVIC has stated no compliance notices were given during the Audit Period; 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). 	D	NR
26	110(3)	3.1.1	If required to by the Minister, the licensee must connect a drainage asset on land to the drainage works of the licensee.	n/a	<ul style="list-style-type: none"> As per the document entitled: <i>“Preston Valley Irrigation Co-operative - Audit and Review Plan”</i>, as approved by the ERA, this obligation was not applicable to PVIC during the Audit Period. 	NA	NA

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	Section Number	Clause Number			Including Recommendations		
27	112(5)	3.1.1	If required by the Minister, the licensee must modify the property drainage connection.	n/a	<ul style="list-style-type: none"> As per the document entitled: <i>“Preston Valley Irrigation Co-operative - Audit and Review Plan”</i>, as approved by the ERA, this obligation was not applicable to PVIC during the Audit Period. 	NA	NA
28	119(2)	3.1.1	The licensee must include the information specified in a compliance notice given in relation to the matters set out in section 119(1).	5	<ul style="list-style-type: none"> PVIC has stated no compliance notices were given during the Audit Period; 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). 	D	NR
29	122(2)	3.1.1	If a person makes an application to the State Administrative Tribunal under section 122(1), the licensee cannot take, or continue to take, action against the person except in the circumstances specified.	5	<ul style="list-style-type: none"> PVIC has stated no compliance notices were given, and as such no applications were made to the State Administrative Tribunal, during the Audit Period; 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). 	D	NR

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	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number			Including Recommendations		
30	125(2)	3.1.1	If the licensee provides a water supply, sewerage or drainage service to 2 or more dwellings on land by a single property connection, the licensee may apportion fees. The licensee cannot apportion fees to the extent inconsistent with any agreement related to such a provision of services, or section 66 of the <i>Strata Titles Act 1985</i> .	n/a	<ul style="list-style-type: none"> PVIC has stated it did not supply water services to dwellings during the Audit Period and thus did not apportion fees; and Due to the nature and manner of the services provided by PVIC no systems, processes and controls are expected to be in place to ensure compliance with this obligation. 	NA	NR
31	128(4)	3.1.1	If the licensee has previously lodged a memorial with the Registrar, the licensee must lodge a withdrawal of memorial with Registrar along with the prescribed fee (if any) if the charge or contribution has been paid.	5	<ul style="list-style-type: none"> PVIC has stated no circumstances necessitated the withdrawal of a memorial during the Audit Period; 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). 	D	NR
32	129(5)	3.1.1	If a routine inspection or maintenance is likely to cause disruption to the occupants of a place at least 48 hours' notice of a proposed entry must be given to the occupier of the place unless the occupier agrees otherwise.	5	<ul style="list-style-type: none"> PVIC has stated 48 hours' notice was given to occupants in respect of proposed entry for purposes of routine inspections or maintenance during the Audit Period; Paxon has noted the PVIC's Administrative Documents do not refer to this compliance obligation in terms of the Water Legislation; and 	D	1

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	Section Number	Clause Number			Including Recommendations		
32 (cont.)					<ul style="list-style-type: none"> A recommendation (01/2017) was made in this regard (see compliance obligation number 1 above). 		
33	139(3)	3.1.1	If the licensee removes or erects a fence or gate when exercising a works power conferred by the Act, the licensee must take all reasonable steps to notify the owner before doing so.	5	<ul style="list-style-type: none"> PVIC has stated no fences or gates were removed or erected during the Audit Period and thus no notification of the owner was required; 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). 	D	NR
34	141(1)	3.1.1	In certain instances, if a person authorised by the licensee carries out road work that involves breaking the surface of the road or that would cause major obstruction to road traffic, the licensee must give at least 48 hours' notice to the public authority managing the road.	5	<ul style="list-style-type: none"> PVIC has stated no road works took place during the Audit Period and thus there was no need to give 48 hours' notice; 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). 	D	NR

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	Section Number	Clause Number			Including Recommendations		
35	142	3.1.1	The licensee must comply with sections 143 and 144 of the Act in relation to the proposed major works, and has given any notice required under section 148.	5	<ul style="list-style-type: none"> PVIC has stated no major works took place during the Audit Period; 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). 	D	NR
36	143(2)	3.1.1	Before the licensee submits a proposal for the provision of major works to the Minister, the licensee must prepare, publish and make available plans and details of those major works as specified.	5	<ul style="list-style-type: none"> PVIC has stated no major works took place during the Audit Period; 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). 	D	NR
37	143(3)	3.1.1	The licensee must, within 5 days of publishing the plans and details on the licensee's website, give notice setting out the matters prescribed in section 143(4) to the persons and agencies specified.	5	<ul style="list-style-type: none"> PVIC has stated no major works took place during the Audit Period; Paxon has noted the PVIC's Administrative Documents do not refer to this compliance obligation in terms of the Water Legislation; and 	D	NR

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	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number			Including Recommendations		
37 (cont.)					<ul style="list-style-type: none"> A recommendation (01/2017) was made in this regard (see compliance obligation number 1 above). 		
38	144(3)	3.1.1	The licensee must have regard to an objection or submission lodged within the relevant period.	5	<ul style="list-style-type: none"> PVIC has stated no major works took place during the Audit Period; 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). 	D	NR
39	145(2)	3.1.1	If the licensee makes alterations to the plans or details referred to in section 143(2), the licensee must give written notice of the alterations to any person who is likely to be adversely affected by those alterations.	5	<ul style="list-style-type: none"> PVIC has stated no major works took place during the Audit Period; 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). 	D	NR

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	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number			Including Recommendations		
40	147(3)	3.1.1	The licensee must comply with a direction given by a Minister in respect of a proposal to provide water service works that are major works under section 143(3).	5	<ul style="list-style-type: none"> PVIC has stated no major works took place during the Audit Period; 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). 	D	NR
41	147(4)	3.1.1	If the Minister gives a direction that further notices in relation to the proposed major works be given under section 143(3), the licensee must resubmit the proposal.	5	<ul style="list-style-type: none"> PVIC has stated no major works took place during the Audit Period; 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). 	D	NR
42	151(1)	3.1.1	A licensee proposing to provide water service works that are general works must prepare plans and details of the proposed works and publish and make them available for inspection.	5	<ul style="list-style-type: none"> PVIC has stated no general works took place during the Audit Period; Paxon has noted the PVIC's Administrative Documents do not refer to this compliance obligation in terms of the Water Legislation; and 	D	NR

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	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number			Including Recommendations		
42 (cont.)					<ul style="list-style-type: none"> A recommendation (01/2017) was made in this regard (see compliance obligation number 1 above). 		
43	151(2)	3.1.1	The licensee must give a notice of general works setting out the matters referred to in section 151(3) to the persons and agencies specified.	5	<ul style="list-style-type: none"> PVIC has stated no general works took place during the Audit Period; 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). 	D	NR
44	152(3)	3.1.1	The licensee must have regard to an objection or submission lodged by the date specified in the notice given under section 151(2).	5	<ul style="list-style-type: none"> PVIC has stated no general works took place during the Audit Period; 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). 	D	NR
45	153(3)	3.1.1	If the licensee makes alteration to those plans or details referred to in section 151, the licensee must give written notice of the alterations to any person	5	<ul style="list-style-type: none"> PVIC has stated no general works took place during the Audit Period; 	D	NR

No. ³	Obligation Under:		Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number			Including Recommendations		
45 (cont.)			who is likely to be adversely affected by those alterations.		<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). 		
46	166(5)	3.1.1	On being advised by the Minister that an interest in land is appropriate to the licensee's needs, the licensee is required to acquire the interest.	5	<ul style="list-style-type: none"> PVIC has stated the Minister did not advise the licensee to acquire an interest in land during the Audit Period; and Specific systems, processes and controls are only expected to be put in place when the stipulations of this clause are applicable. 	NA	NR
47	166(6)	3.1.1	Any costs incurred in taking an interest in land are to be paid by the licensee.	5	<ul style="list-style-type: none"> PVIC has stated no interest in land was taken during the Audit Period and thus no associated costs were incurred; and Specific systems, processes and controls are only expected to be put in place when the stipulations of this clause are applicable. 	NA	NR
48	170	3.1.1	The licensee must not sell an interest in land if the purchaser would hold a parcel of land that did not comply with the minimum lot size and zoning requirements under the Planning and	5	<ul style="list-style-type: none"> PVIC has stated it did not sell an interest in land during the Audit Period; and 	NA	NR

No. ³	Obligation Under:		Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number			Including Recommendations		
48 (cont.)			Development Act 2005, unless the Minister permits the licensee to do so.		<ul style="list-style-type: none"> Specific systems, processes and controls are only expected to be put in place when the stipulations of this clause are applicable. 		
49	173(4)	3.1.1	In relation to entry to a place for the purposes of doing works, in the circumstances specified the licensee is required to give 48 hours' notice of proposed entry to a place to the occupier or owner, as applicable, unless the occupier or owner agrees otherwise.	5	<ul style="list-style-type: none"> PVIC has stated 48 hours' notice was given of proposed entry for purposes of doing works during the Audit Period; 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). 	D	1
50	174(1)	3.1.1	Notice of a proposed entry by the licensee must be in writing and must set out the purpose of the entry, including (if applicable) any work proposed to be carried out.	5	<ul style="list-style-type: none"> PVIC has stated it did not give written notice of proposed entry during the Audit period; 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). 	D	2

No. ³	Obligation Under:		Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number			Including Recommendations		
51	174(3)	3.1.1	Even if in a particular instance the licensee may enter a place under the Act without having to give notice of proposed entry, the licensee must when practicable, and when it will not compromise the reason for entry, give notice of entry to the occupier.	5	<ul style="list-style-type: none"> PVIC has stated 48 hours' notice was given of proposed entry to a place during the Audit Period; 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). 	D	1
52	175(2)	3.1.1	If an occupier is present when the licensee proposes to enter a dwelling, the licensee must perform the prescribed actions before entering the premises.	5	<ul style="list-style-type: none"> PVIC has stated it did not enter any dwellings during the Audit Period; and Due to the nature and manner of the services provided by PVIC no systems, processes and controls are expected to be in place to ensure compliance with this obligation. 	NA	NR
53	175(5)	3.1.1	If the licensee enters a dwelling that is unoccupied, the licensee must leave a notice or a copy of the warrant (as applicable) in a prominent position in the dwelling before leaving the dwelling.	5	<ul style="list-style-type: none"> PVIC has stated it did not enter any dwellings during the Audit Period; and Due to the nature and manner of the services provided by PVIC no systems, processes and controls are expected to be in place to ensure compliance with this obligation. 	NA	NR

No. ³	Obligation Under:		Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number			Including Recommendations		
54	176(1)	3.1.1	If the licensee has entered a place with or without consent, the licensee must leave the premises as soon as practicable after being notified that the owner or occupier has refused or withdrawn their consent.	5	<ul style="list-style-type: none"> PVIC has stated no instances took place where it entered a place and consent was refused or withdrawn during the Audit Period; 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). 	D	NR
55	176(3)	3.1.1	The licensee must produce their certificate of authority if asked to do so, and must not perform, or continue to perform, a function under the Act if they are not able to do so.	5	<ul style="list-style-type: none"> PVIC has stated it was never asked to produce their certificate of authority during the Audit Period; 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). 	D	NR
56	176(4)	3.1.1	If the licensee enters or proposes to enter a place, and the owner or occupier requests the licensee produce evidence of authority for that entry, then the licensee must leave the place if they are unable	5	<ul style="list-style-type: none"> PVIC has stated it was never requested to produce evidence of authority during the Audit Period; 	D	NR

No. ³	Obligation Under:		Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number			Including Recommendations		
56 (cont.)			to do so unless the owner or occupier agrees otherwise.		<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). 		
57	181	3.1.1	The licensee, or a person assisting the licensee, must, as far as is practicable comply with any reasonable request from the owner or occupier intended to limit interference with the lawful activities of the owner or occupier.	5	<ul style="list-style-type: none"> PVIC has stated no such requests were made of it to limit interference with the lawful activities of the owner or occupier; 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). 	D	NR
58	186	3.1.1	If the licensee applies for a warrant, the application must contain the prescribed information.	5	<ul style="list-style-type: none"> PVIC has stated no applications for warrants were made during the Audit Period; 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). 	D	NR

No. ³	Obligation Under:		Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number			Including Recommendations		
59	187(1) – (3)	3.1.1	If the licensee applies for a warrant to enter, the application must be made in accordance with the procedures specified depending on the location of the applicant and the justice.	5	<ul style="list-style-type: none"> PVIC has stated no applications for warrants were made during the Audit Period; 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). 	D	NR
60	190(4)	3.1.1	Unless required to give a copy of the warrant, the licensee executing the warrant must produce the warrant for inspection by the occupier of the place concerned on entry (if practicable), and if requested to do so.	5	<ul style="list-style-type: none"> PVIC has stated no warrants were executed during the Audit Period; 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). 	D	NR
61	190(5)	3.1.1	On completing the execution of a warrant the licensee must record the prescribed information on that warrant.	5	<ul style="list-style-type: none"> PVIC has stated no warrants were executed during the Audit Period; Paxon has noted the PVIC's Administrative Documents do not refer to this compliance obligation in terms of the Water Legislation; and 	D	NR

No. ³	Obligation Under:		Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number			Including Recommendations		
61 (cont.)					<ul style="list-style-type: none"> A recommendation (01/2017) was made in this regard (see compliance obligation number 1 above). 		
62	210(5)	3.1.1	If the licensee designates a person as an inspector or compliance officer, the licensee must give that person a certificate of authority that includes certain prescribed information.	5	<ul style="list-style-type: none"> PVIC has stated the Waterman was not given a certificate of authority for use during the Audit period; 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). <p>Recommendation 03/2017:</p> <ul style="list-style-type: none"> PVIC should arrange for the Waterman to be given a certificate of authority. 	D	2
63	218(2)	3.1.1	In the exercise or purported exercise of a power under the Act, the licensee must ensure that, to the extent practicable, the free use of any place is not obstructed, and that as little damage, harm or inconvenience is caused as is possible.	5	<ul style="list-style-type: none"> PVIC has stated it did not obstruct the free use of any place, and it caused as little damage, harm or inconvenience as was possible during the Audit Period; Paxon has noted the PVIC's Administrative Documents do not refer to this compliance obligation in terms of the Water Legislation; and 	D	1

No. ³	Obligation Under:		Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number			Including Recommendations		
63 (cont.)					<ul style="list-style-type: none"> A recommendation (01/2017) was made in this regard (see compliance obligation number 1 above). 		
64	218(3)	3.1.1	If the licensee does any physical damage in the exercise of a works power or a power of entry, the licensee must ensure that the damage is made good, and pay compensation to the extent that it is not practicable to make good the damage.	5	<ul style="list-style-type: none"> PVIC has stated no physical damage occurred in the exercise of a works power or a power of entry during the Audit Period; 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). 	D	NR

Table 10: Audit Observations and Recommendations: Water Services Act 2012

[Obligations as per the ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – July 2016" (Numbers 1 to 64)]

Obligation Under:				Audit Priority Applied	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)		
No.	Water Services Regulations 2013	Water Services Licence – Version 6	Summary Description of Obligation	(Rated as: 1 – High to 5 – Low)		Including Recommendations	Controls	Compliance
	Regulation Number	Clause Number						
65	23(2)	3.1.1	If the licensee provides a water supply service in respect of a multi-unit development, the licensee, on the owner's request, is to assess whether a meter is satisfactory for measuring the quantity or flow of water through a pipe supplying water to the unit.	n/a	<ul style="list-style-type: none">As per the document entitled: <i>“Preston Valley Irrigation Co-operative - Audit and Review Plan”</i>, as approved by the ERA, this obligation was not applicable to PVIC during the Audit Period.	NA	NA	
66	24(4)	3.1.1	If the licensee gives a compliance notice to a person in respect of access to meters, the notice must specify the specified information.	4	<ul style="list-style-type: none">PVIC has stated no compliance notices were given in respect of access to meters during the Audit Period;Paxon has noted the PVIC’s Administrative Documents do not refer to this compliance obligation in terms of the Water Legislation; andA recommendation (01/2017) was made in this regard (see compliance obligation number 1 above).	D	NR	
67	26(3)	3.1.1	If the owner or occupier requests the licensee to test a meter, subject to the payment of the charge (if any) for testing that type of meter, the licensee must test the meter in accordance with the approved procedure.	4	<ul style="list-style-type: none">PVIC has stated no requests were made of it by an owner or occupier to test a meter during the Audit Period;Paxon has noted the PVIC’s Administrative Documents do not refer to this compliance obligation in terms of the Water Legislation; and	D	NR	

Obligation Under:				Audit Priority Applied	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
No.	Water Services Regulations 2013	Water Services Licence – Version 6	Summary Description of Obligation	(Rated as: 1 – High to 5 – Low)			
	Regulation Number	Clause Number				Including Recommendations	Controls
67 (cont.)					<ul style="list-style-type: none">A recommendation (01/2017) was made in this regard (see compliance obligation number 1 above).		
68	26(5)	3.1.1	If a meter test finds that the meter is outside the prescribed tolerance applicable, the licensee must take the specified actions, bear the costs of testing and refund or credit any charges paid under regulation 26(3).	4	<ul style="list-style-type: none">PVIC has stated no meter tests were conducted during the Audit Period;Paxon has noted the PVIC’s Administrative Documents do not refer to this compliance obligation in terms of the Water Legislation; andA recommendation (01/2017) was made in this regard (see compliance obligation number 1 above).	D	NR
69	29(2)	3.1.1	If the developer of a lot makes a request to the licensee to defer payment of an infrastructure contribution, the licensee must, subject to regulations 29(3) and 29(4), allow the payment to be deferred.	n/a	<ul style="list-style-type: none">As per the document entitled: “Preston Valley Irrigation Co-operative - Audit and Review Plan”, as approved by the ERA, this obligation was not applicable to PVIC during the Audit Period.	NA	NA
70	42(2)	3.1.1	The written order requiring the owner or occupier of land to install a backflow prevention device must set out the date which the device must be installed and tested (which must be at least 7 days after the order is given).	n/a	<ul style="list-style-type: none">As per the document entitled: “Preston Valley Irrigation Co-operative - Audit and Review Plan”, as approved by the ERA, this obligation was not applicable to PVIC during the Audit Period.	NA	NA

No.	Obligation Under:		Summary Description of Obligation	Audit Priority Applied	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
	Water Services Regulations 2013	Water Services Licence – Version 6		(Rated as: 1 – High to 5 – Low)		Including Recommendations	Controls
	Regulation Number	Clause Number					
71	43(3)	3.1.1	The compliance notice requiring the owner or occupier of land to have their backflow prevention device tested or maintained in accordance with the standard by a specified date (which must be at least 7 days after the notice is given).	n/a	<ul style="list-style-type: none">As per the document entitled: “Preston Valley Irrigation Co-operative - Audit and Review Plan”, as approved by the ERA, this obligation was not applicable to PVIC during the Audit Period.	NA	NA
72	43(6)	3.1.1	The compliance notice requiring the owner or occupier of land to have their backflow prevention device made good as specified in the notice must include the work that is required to be done, the manner in which the work is to be done and the date by which the work is to be done (which must be at least 7 days after the notice is given).	n/a	<ul style="list-style-type: none">As per the document entitled: “Preston Valley Irrigation Co-operative - Audit and Review Plan”, as approved by the ERA, this obligation was not applicable to PVIC during the Audit Period.	NA	NA
73	53(3)	3.1.1	The licensee must provide a person with a plan of the existing drainage plumbing for a building on request and on receipt of payment from the person.	n/a	<ul style="list-style-type: none">As per the document entitled: “Preston Valley Irrigation Co-operative - Audit and Review Plan”, as approved by the ERA, this obligation was not applicable to PVIC during the Audit Period.	NA	NA
74	60(2)	3.1.1	If the licensee proposes to exercise a works power in a road and considers that it is necessary to alter the position of infrastructure, the licensee must notify the person who is responsible for the infrastructure and may request that the person	5	<ul style="list-style-type: none">PVIC has stated no works powers were exercised in a road during the Audit Period;Paxon has noted the PVIC’s Administrative Documents do not refer to this compliance	D	NR

No.	Obligation Under:		Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
	Water Services Regulations 2013	Water Services Licence – Version 6				Controls	Compliance
	Regulation Number	Clause Number			Including Recommendations		
74 (cont.)			make the alterations within the time specified in the notice.		obligation in terms of the Water Legislation; and • A recommendation (01/2017) was made in this regard (see compliance obligation number 1 above).		
75	63	3.1.1	If the licensee opens or breaks up the surface of a road, the licensee must complete the relevant work and reinstate and make good the road, and must take all reasonable measures to prevent that part of the road from being hazardous.	5	<ul style="list-style-type: none"> PVIC has stated no road surfaces were opened or broken up during the Audit Period; 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). 	D	NR
76	65(1)	3.1.1	The licensee must maintain records for all land in respect of which water service charges apply.	5	<ul style="list-style-type: none"> PVIC has stated no specific records of land were kept during the Audit Period. PVIC has stated it did maintain a share register during the Audit Period; Paxon has noted the PVIC's Administrative Documents do not refer to this compliance obligation in terms of the Water Legislation; and 	D	2

Obligation Under:				Audit Priority Applied	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)		
No.	Water Services Regulations 2013	Water Services Licence – Version 6	Summary Description of Obligation	(Rated as: 1 – High to 5 – Low)		Including Recommendations	Controls	Compliance
	Regulation Number	Clause Number						
76 (cont.)					<ul style="list-style-type: none">A recommendation (01/2017) was made in this regard (see compliance obligation number 1 above).			
77	65(2)	3.1.1	The records for all land in respect of which water service charges apply must contain prescribed information.	5	<ul style="list-style-type: none">PVIC has stated no specific records of land were kept during the Audit Period. PVIC has stated it did maintain a share register during the Audit Period;Paxon has noted the PVIC’s Administrative Documents do not refer to this compliance obligation in terms of the Water Legislation; andA recommendation (01/2017) was made in this regard (see compliance obligation number 1 above).	D		2
78	65(4)	3.1.1	The licensee must make the records for all land in respect of which water service charges apply available for inspection by any person without charge, and give a copy of particular records to a person with a material interest in them, on payment of the prescribed charge.	5	<ul style="list-style-type: none">PVIC has stated no specific records of land were kept during the Audit Period. PVIC has stated it did maintain a share register to which shareholders had access during the Audit Period;Paxon has noted the PVIC’s Administrative Documents do not refer to this compliance obligation in terms of the Water Legislation; and	D		2

Obligation Under:				Audit Priority Applied	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)		
No.	Water Services Regulations 2013	Water Services Licence – Version 6	Summary Description of Obligation	(Rated as: 1 – High to 5 – Low)		Including Recommendations	Controls	Compliance
	Regulation Number	Clause Number						
78 (cont.)					<ul style="list-style-type: none">A recommendation (01/2017) was made in this regard (see compliance obligation number 1 above).			
79	67	3.1.1	Except as otherwise provided under the Act, the records maintained by the licensee for a period in relation to land are the basis upon which the licensee must determine the water service charges applicable for the period.	5	<ul style="list-style-type: none">PVIC has stated water service charges were based on the share register it kept during the Audit Period;Paxon has noted the PVIC’s Administrative Documents do not refer to this compliance obligation in terms of the Water Legislation; andA recommendation (01/2017) was made in this regard (see compliance obligation number 1 above).	D	2	
80	68(5)	3.1.1	The licensee must consider an objection to the records maintained by a licensee under regulation 65 as soon as practicable.	5	<ul style="list-style-type: none">PVIC has stated no specific records of land were kept during the Audit Period. PVIC has stated it did maintain a share register during the Audit Period. PVIC has stated no objections were lodged against the contents of the share register during the Audit Period;Paxon has noted the PVIC’s Administrative Documents do not refer to this compliance obligation in terms of the Water Legislation; and	D	NR	

Obligation Under:			Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations Including Recommendations	Ratings (as per Table 7)	
No.	Water Services Regulations 2013 Regulation Number	Water Services Licence – Version 6 Clause Number				Controls	Compliance
80 (cont.)					<ul style="list-style-type: none"> A recommendation (01/2017) was made in this regard (see compliance obligation number 1 above). 		
81	68(6)	3.1.1	The licensee must give the person by whom the objection was made written notice of the licensee's decision on the objection together with a brief statement of the licensee's reasons for the decision.	5	<ul style="list-style-type: none"> PVIC has stated no specific records of land were kept during the Audit Period. PVIC has stated it did maintain a share register during the Audit Period. PVIC has stated no objections were lodged against the contents of the share register during the Audit Period; 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). 	D	NR
82	68(7)	3.1.1	If the licensee disallows an objection, wholly or in part, to entries in the records maintained by a licensee under regulation 65, the licensee must advise the person who objected of any consequent amendment of the records.	5	<ul style="list-style-type: none"> PVIC has stated no specific records of land were kept during the Audit Period. PVIC has stated it did maintain a share register during the Audit Period. PVIC has stated no objections were lodged against the contents of the share register during the Audit Period; 	D	NR

Obligation Under:			Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations Including Recommendations	Ratings (as per Table 7)	
No.	Water Services Regulations 2013	Water Services Licence – Version 6				Controls	Compliance
	Regulation Number	Clause Number					
82 (cont.)					<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). 		
83	68(8)	3.1.1	If the licensee allows an objection, wholly or in part, to entries in the records maintained by a licensee under regulation 65, the licensee must advise the person of the time within which and the manner in which a review of the decision may be sought.	5	<ul style="list-style-type: none"> PVIC has stated no specific records of land were kept during the Audit Period. PVIC has stated it did maintain a share register during the Audit Period. PVIC has stated no objections were lodged against the contents of the share register during the Audit Period; 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). 	D	NR
84	69(3)	3.1.1	Upon receipt of a notice from a person dissatisfied with a decision of the licensee on an objection, the licensee must promptly refer the	5	<ul style="list-style-type: none"> PVIC has stated no specific records of land were kept during the Audit Period. PVIC has stated it did maintain a share register during the Audit Period. PVIC has stated no objections 	D	NR

Obligation Under:			Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations Including Recommendations	Ratings (as per Table 7)	
No.	Water Services Regulations 2013	Water Services Licence – Version 6				Controls	Compliance
	Regulation Number	Clause Number					
84 (cont.)			relevant records to the State Administrative Tribunal for a review.		<p>were lodged against the contents of the share register during the Audit Period;</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). 		
85	70(2)	3.1.1	Upon receipt of a notice from a person dissatisfied with a decision of the licensee to refuse to extend the time for giving an objection to the licensee or a notice under regulation 69(2), the licensee must promptly refer the decision to the State Administrative Tribunal for a review.	5	<ul style="list-style-type: none"> • PVIC has stated no specific records of land were kept during the Audit Period. PVIC has stated it did maintain a share register during the Audit Period. PVIC has stated no objections were lodged against the contents of the share register during the Audit Period; • 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). 	D	NR

Obligation Under:			Summary Description of Obligation	Audit Priority Applied	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)		
No.	Water Services Regulations 2013	Water Services Licence – Version 6		(Rated as: 1 – High to 5 – Low)		Including Recommendations	Controls	Compliance
	Regulation Number	Clause Number						
86	74(1)	3.1.1	The licensee must make any amendment of the records necessary as a consequence of an allowance, wholly or in part, of an objection under the Act or the <i>Valuation of Land Act 1978</i> or as a consequence of a review by the State Administrative Tribunal.	5	<ul style="list-style-type: none">• PVIC has stated no specific records of land were kept during the Audit Period. PVIC has stated it did maintain a share register during the Audit Period. PVIC has stated no objections were lodged against the contents of the share register during the Audit Period;• 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).	D	NR	
87	74(2)	3.1.1	The licensee must, if necessary as a consequence of the amendment to the records under regulation 74(1) re-determine and if necessary provide a rebate or refund.	5	<ul style="list-style-type: none">• PVIC has stated no specific records of land were kept during the Audit Period. PVIC has stated it did maintain a share register during the Audit Period. PVIC has stated no objections were lodged against the contents of the share register during the Audit Period;• Paxon has noted the PVIC’s Administrative Documents do not refer to this compliance obligation in terms of the Water Legislation; and	D	NR	

Obligation Under:			Summary Description of Obligation	Audit Priority Applied	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)		
No.	Water Services Regulations 2013	Water Services Licence – Version 6		(Rated as: 1 – High to 5 – Low)		Including Recommendations	Controls	Compliance
	Regulation Number	Clause Number						
87 (cont.)					<ul style="list-style-type: none">A recommendation (01/2017) was made in this regard (see compliance obligation number 1 above).			
88	75(1)	3.1.1	If a person is liable, under an agreement with the owner of land, for payment of the water service charges in respect of certain land, the person is entitled to receive from the licensee all information necessary for the person to assess his or her liability under the agreement.	5	<ul style="list-style-type: none">PVIC has stated “Tax Invoices” were used to inform shareholders of water service charges during the Audit Period;Paxon has examined a sample of “Tax Invoices” issued during the Audit Period and is satisfied it discloses all information necessary to assess liability;Paxon has noted the PVIC’s Administrative Documents do not refer to this compliance obligation in terms of the Water Legislation; andA recommendation (01/2017) was made in this regard (see compliance obligation number 1 above).	D	1	
89	85	3.1.1	Compliance notices issued by the licensee must include a brief description of the possible consequences under the Act of not complying with the notice, and the rights of review under the Act in relation to the notice and who may apply for review.	5	<ul style="list-style-type: none">PVIC has stated no compliance notices were issued during the Audit Period;Paxon has noted the PVIC’s Administrative Documents do not refer to this compliance obligation in terms of the Water Legislation; and	D	NR	

Obligation Under:			Audit Priority Applied	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)		
No.	Water Services Regulations 2013	Water Services Licence – Version 6	Summary Description of Obligation		(Rated as: 1 – High to 5 – Low)		
	Regulation Number	Clause Number				Including Recommendations	Controls
89 (cont.)					• A recommendation (01/2017) was made in this regard (see compliance obligation number 1 above).		
90	86(6)	3.1.1	If the licensee appoints an employee as an authorised or approved officer for the purposes of the <i>Criminal Procedure Act 2004</i> Part 2, the licensee must issue the officer a certificate, badge or identity card identifying the officer as a person authorised to issue infringement notices.	n/a	• As per the document entitled: “ <i>Preston Valley Irrigation Co-operative - Audit and Review Plan</i> ”, as approved by the ERA, this obligation was not applicable to PVIC during the Audit Period.	NA	NA
91	86(9)	3.1.1	The licensee must maintain a list of persons appointed to be authorised officers or approved officers for the purposes of the <i>Criminal Procedure Act 2004</i> Part 2, and must, on request, give a copy of the list to the CEO or to the chief executive officer of the Public Services principally assisting in the administration of the <i>Criminal Procedure Act 2004</i> .	n/a	• As per the document entitled: “ <i>Preston Valley Irrigation Co-operative - Audit and Review Plan</i> ”, as approved by the ERA, this obligation was not applicable to PVIC during the Audit Period.	NA	NA

Table 10: Audit Observations and Recommendations: Water Services Act 2012

[Obligations as per the ERA's: “*Water Compliance Reporting Manual – Water Services Act 2012 – July 2016*” (Numbers 65 to 91)]

No.	Obligation Under:		Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
	Water Services Code of Conduct (Customer Service Standards) 2013	Water Services Licence – Version 6				Including Recommendations	Controls Compliance
	Clause Number	Clause Number					
92 to 154	In terms of its Water Services (Operating) Licences which were in force during the Audit Period, PVIC was authorised to provide:						
	<ul style="list-style-type: none"> Irrigation services; and Non-potable water supply (services). 						
	PVIC provided the following services during the Audit Period:						
	<ul style="list-style-type: none"> Irrigation services to shareholders in the cooperative; and Non-potable water supply services to property owners, other cooperative shareholders. 						
	Section 3(1) of the Water Services Act 2012 (“Act”) states:						
	<i>“In this Act, unless the contrary intention appears -</i>						
	<ul style="list-style-type: none"> <i>...customer, of a licensee, means a person to whom water services are provided by the licensee or who is entitled to the provision of water services by the licensee, other than a person who is a member of the licensee;</i> <i>...member of a licensee means a member of a co-operative, registered under the Co-operatives Act 2009, that is a licensee;”</i> 						
	PVIC was registered under the Co-operatives Act 2009 on the 1 st August 2012.						
	Thus, during the Audit Period, in terms of the provisions of section 3(1) of the Act:						
	<ul style="list-style-type: none"> Shareholders in PVIC to whom irrigation services were provided were not customers; and Property owners to whom non-potable water supply services were provided were customers. 						

No.	Obligation Under:		Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
	Water Services Code of Conduct (Customer Service Standards) 2013	Water Services Licence – Version 6				Including Recommendations	Controls Compliance
92 to 154 (cont.)	Clause Number	Clause Number	Section 4 of the Water Services Code of Conduct (Customer Service Standards) 2013 (“Code of Conduct”) states: “(1) In this clause – customer, of a licensee, means a customer as defined in section 3(1) who is – (a) an owner of the land in respect of which the water services are provided; or (b) an occupier of the land in respect of which the water services are provided who is authorised by an owner to receive bills for the water services, and includes any other person who is authorised by an owner of the land in respect of which the water services are provided to receive bills for the water services. (2) This code applies to – (a) each licensee that provides a water supply service, but only in respect of the supply of drinking water, and each of the licensee’s customers; and (b) each licensee that provides a sewerage service and each of the licensee’s customers; and (c) each licensee that provides an irrigation service and each of the licensee’s customers; and (d) each licensee that provides a drainage service and each of the licensee’s customers.” Thus, during the Audit Period, the Code of Conduct did not apply to PVIC and: <ul style="list-style-type: none"> • Its shareholders to whom irrigation services were provided as the shareholders were not customers (sections 4(1) and 2(c)); nor • Property owners to whom non-potable water supply services were provided (customers) as no drinking water was supplied to them (section 4(1) and 2(a)). Obligations 92 to 154 as included in the ERA’s: “Water Compliance Reporting Manual – Water Services Act 2012 – July 2016” were not applicable to PVIC during the Audit Period.				

Table 10: Audit Observations and Recommendations: Water Services Act 2012

[Obligations as per the ERA’s: “Water Compliance Reporting Manual – Water Services Act 2012 – July 2016” (Numbers 92 to 154)]

No.	Obligation Under: Water Services Licence - Version 6 and Water Services Act (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
155	3.2.1	The licensee must pay the applicable fees and charges in accordance with the applicable Regulations.	5	<ul style="list-style-type: none"> PVIC has stated it paid the following fees during the Audit Period: <ul style="list-style-type: none"> Annual licence charge in relation to the ERA (Licensing Funding) Regulations 2014; and Energy and Water Ombudsman (Western Australia) Limited's fees. 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). 	D	1
156	3.1.1	Subject to any modifications or exemptions granted pursuant to the Act and this licence, the licensee must comply with any applicable legislation.	2	<ul style="list-style-type: none"> PVIC's compliance during the Audit Period, with the following is specifically addressed within this Report: <ul style="list-style-type: none"> Water Services Act 2012; Water Services Regulations 2013; Water Services Code of Conduct (Customer Service Standards) 2013; and Water Services (Operating) Licences, versions 2,3, 4 and 6. 	D	2

No.	Obligation Under: Water Services Licence - Version 6 and Water Services Act (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
156 (cont.)				<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). 		
157	Not used	As per the ERA's document entitled: "Water Compliance Reporting Manual - Water Services Act 2012 – July 2016" this number is not used.	Not used	Not used	Not used	Not used
158	Not used	As per the ERA's document entitled: "Water Compliance Reporting Manual - Water Services Act 2012 – July 2016" this number is not used.	Not used	Not used	Not used	Not used
159	3.1.2	The licensee must comply with a direction from the ERA in relation to a breach of applicable legislation.	2	<ul style="list-style-type: none"> PVIC has stated the ERA did not direct it in relation to a breach of applicable legislation during the Audit Period; and Specific systems, processes and controls were only expected to be put in place, to support this compliance obligation when this obligation was enforced. 	NP	NR
160	3.6.1	The licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.	5	<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; 	D	4

No.	Obligation Under: Water Services Licence - Version 6 and Water Services Act (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
160 (cont.)				<ul style="list-style-type: none"> 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: <i>“Australian Accounting Standards and mandatory professional reporting requirements have not been adopted in the preparation of the special purpose financial report.”;</i> 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). <p>Recommendation 04/2017:</p> <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. 		
161	4.2.1	The licensee must comply with any individual performance standards prescribed by the ERA.	n/a	<ul style="list-style-type: none"> As per the document entitled: “Preston Valley Irrigation Co-operative - Audit and Review Plan”, as approved by the ERA, this obligation was not applicable to PVIC during the Audit Period. 	NA	NA

No.	Obligation Under: Water Services Licence - Version 6 and Water Services Act (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
162	14.4 / 4.3.4	The licensee must cooperate with the independent expert and comply with the ERA' standard audit guidelines dealing with the operational audit.	5	<ul style="list-style-type: none"> PVIC did cooperate with Paxon during the performance of the operational audit and specifically complied with section 10.1 "Assistance provided by the Licensee" as included in the ERA's document entitled: "Audit and Review Guidelines: Water Licences – July 2014"; 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). 	D	1
163	3.7.1 (a), (b), (c)	The licensee must report to the ERA, in the manner prescribed, if a licensee is under external administration or there is a material change in the circumstances upon which the licence was granted which may affect a licensee's ability to meet its obligations.	5	<ul style="list-style-type: none"> PVIC has stated it was not under external administration, nor did a material change take place in the circumstances upon which the licence was granted which affected its ability to meet its obligations during the Audit Period; 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). 	D	NR

No.	Obligation Under: Water Services Licence - Version 6 and Water Services Act (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
164	Not used	As per the ERA's document entitled: "Water Compliance Reporting Manual - Water Services Act 2012 – July 2016" this number is not used.	Not used	Not used	Not used	Not used
165	3.8.1	The licensee must provide the ERA specified information relevant to the operation of the licence or the licensing scheme, or the performance of the ERA's functions under the Act in the manner and form specified by the ERA.	4	<ul style="list-style-type: none"> PVIC has stated it did provide the ERA with specified information in the manner and form specified by the ERA during the Audit Period; 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). 	D	1
166	3.8.2	The licensee must comply with any information reporting requirements prescribed by the ERA, including but not limited to the provisions of the Water Compliance Reporting Manual that apply to the licensee.	4	<ul style="list-style-type: none"> Paxon has noted the PVIC's Compliance Report for the period 1 July 2011 to 30 June 2012 referred to the late submission of both the Performance Report and the Compliance Report for the year ending 30 June 2011. However, Schedule A to this Compliance Report did not indicate the action PVIC would take to prevent a recurrence of this non-compliance; Paxon has noted the PVIC's Compliance Report for the period 1 July 2012 to 30 June 2013 referred to the late submission of both the Performance Report and the Compliance Report for the year ending 30 June 2012. However, the ERA acknowledged receipt of 	A	2

No.	Obligation Under: Water Services Licence - Version 6 and Water Services Act (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
166 (cont.)				<p>both the Compliance Report and the Performance Report for the year ended 30 June 2012 in a letter dated 13 August 2012. Thus, in terms of the ERA's: "Water Compliance Reporting Manual – Water Services Licensing Act 1995 – July 2012" and WSOL version 3 both reports were submitted in time. The deadlines for the submission of these reports were as follows:</p> <ul style="list-style-type: none"> • Compliance Report: 31 August 2012; and • Performance Report: 31 October 2012. <p>Once again, Schedule A to this Compliance Report did not indicate the action PVIC would take to prevent a recurrence of this non-compliance;</p> <ul style="list-style-type: none"> • Paxon has noted the PVIC's Compliance Report for the period 1 July 2013 to 30 June 2014 referred to the late submission of the Compliance Report for the year ending 30 June 2013. Paxon could not find any documents which indicated when the Performance Report for the year ended 30 June 2013 was submitted. Once again, Schedule A to this Compliance Report did not indicate the action PVIC would take to prevent a recurrence of this non-compliance. This Compliance Report, refers to the "Water Services Licensing Act 1995" and not the Water Services Act 2012; 		

No.	Obligation Under: Water Services Licence - Version 6 and Water Services Act (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
166 (cont.)				<ul style="list-style-type: none"> Paxon has noted the PVIC's Compliance Report for the period 1 July 2014 to 30 June 2015 stated no non-compliances occurred during the reporting period. However, the ERA acknowledged receipt of the Compliance Report for the year ended 30 June 2014 on 1 September 2014 which means it was submitted late. As a result, it should have been reported as a non-compliance in the Compliance Report for the period 1 July 2014 to 30 June 2015. Paxon could not find any documents which indicated when the Performance Report for the year ended 30 June 2014 was submitted. This Compliance Report, refers to the "Water Services Licensing Act 1995" and not the Water Services Act 2012; Paxon has noted the PVIC's Compliance Report for the period 1 July 2015 to 30 June 2016 stated no non-compliances occurred during the reporting period; Paxon has noted the Performance Report for the period 1 July 2015 to 30 June 2016 was only submitted on 2 August 2016; Paxon has noted the current Reporting Matrix used by the PVIC does refer to the obligation to submit annual compliance reports to the ERA; and 		

No.	Obligation Under: Water Services Licence - Version 6 and Water Services Act (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
166 (cont.)				<ul style="list-style-type: none"> Paxon has noted proper records were kept in respect of the submission of Compliance Reports and Performance Reports in the 2015 and 2016 calendar years. 		
167	3.8.3	The licensee must provide the ERA with the data required for performance reporting purposes that is specified in the Water, Sewerage and Irrigation Licence Performance Reporting Handbook, and the National Performance Framework that apply to the licensee.	4	<ul style="list-style-type: none"> Paxon has noted the PVIC's Performance Reports for the 2013-2014, 2014-2015 and 2015-2016 reporting periods indicated that: <ul style="list-style-type: none"> No customer complaints were received; No planned service interruptions took place; 100% of customers provided with non-potable water received annual advice that the water supplied is not suitable for drinking; and Irrigation water quality was as follows: <ul style="list-style-type: none"> 2013-2014: 384mg/L of dissolved solids; 2014-2015: 401mg/L of dissolved solids; and 2015-2016: 495mg/L of dissolved solids. Paxon has noted the current Reporting Matrix used by the PVIC does refer to the obligation to submit annual performance reports to the ERA; and Paxon has noted proper records were kept in respect of the submission of Compliance Reports and 	A	1

No.	Obligation Under: Water Services Licence - Version 6 and Water Services Act (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
167 (cont.)				Performance Reports in the 2015 and 2016 calendar years.		
168	2.8.1 & 2.8.2	Subject to clause 2.8.3, the licensee must publish within the specified timeframe any information that the ERA has directed the licensee to publish under clause 2.8.1.	5	<ul style="list-style-type: none"> PVIC has stated the ERA did not direct it to publish any information during the Audit Period; 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). 	D	NR
169	2.7.1	Unless otherwise specified, all notices must be in writing.	5	<ul style="list-style-type: none"> Paxon has noted notices were given in writing during the Audit Period. Numerous examples, as referred to throughout this Audit Report, were sighted to support this statement; 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). 	D	1
170	Not used	As per the ERA's document entitled: "Water Compliance Reporting Manual - Water Services Act 2012 – July 2016" this number is not used.	Not used	Not used	Not used	Not used

No.	Obligation Under: Water Services Licence - Version 6 and Water Services Act (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
171	4.1.2	The licensee must notify the ERA of any material change to the asset management system within 10 business days of the change.	5	<ul style="list-style-type: none"> PVIC has stated no material changes to the asset management system took place during the Audit Period; 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). 	D	NR
172	4.1.6	The licensee must cooperate with the independent expert and comply with the ERA's standard guidelines dealing with the asset management system review.	5	<ul style="list-style-type: none"> PVIC did cooperate with Paxon during the performance of the operational audit and specifically complied with section 10.1 "Assistance provided by the Licensee" as included in the ERA's document entitled: "Audit and Review Guidelines: Water Licences – July 2014"; 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). 	D	1
173	5.5.1	The licensee must not supply water services to customers unless the licensee is a member of and bound by the water services ombudsman scheme.	5	<ul style="list-style-type: none"> Paxon has noted the PVIC became a member of the water services ombudsman scheme in the 2014 calendar year; 	D	1

No.	Obligation Under: Water Services Licence - Version 6 and Water Services Act (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
173 (cont.)				<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). 		
174	Not used	As per the ERA's document entitled: <i>"Water Compliance Reporting Manual - Water Services Act 2012 – July 2016"</i> this number is not used.	Not used	Not used	Not used	Not used
175	5.1.1	If directed by the ERA, the licensee must submit a draft customer contract for approval.	5	<ul style="list-style-type: none"> PVIC has stated it did not enter into customer contracts in respect of the water services it provided during the Audit Period; The Customer Service Charter states: <i>"This Customer charter details the rights available to you as a commercially entitled shareholder and/or domestic irrigator of the Co-operative and in turn your obligations as the recipient of the service provided."</i>; and Due to the nature and manner of the services provided by PVIC no systems, processes and controls were expected to be in place to ensure compliance with this obligation during the Audit Period. 	NA	NR

No.	Obligation Under: Water Services Licence - Version 6 and Water Services Act (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
176	5.1.2	The licensee must comply with any <i>Customer Contract Guidelines</i> that apply to the licensee.	5	<ul style="list-style-type: none"> PVIC has stated it did not enter into customer contracts in respect of the water services it provided during the Audit Period; The Customer Service Charter states: <i>“This Customer charter details the rights available to you as a commercially entitled shareholder and/or domestic irrigator of the Co-operative and in turn your obligations as the recipient of the service provided.”</i>; and Due to the nature and manner of the services provided by PVIC no systems, processes and controls were expected to be in place to ensure compliance with this obligation during the Audit Period. 	NA	NR
177	5.1.3	The licensee may only amend the customer contract with the ERA’s approval.	5	<ul style="list-style-type: none"> PVIC has stated it did not enter into customer contracts in respect of the water services it provided during the Audit Period; The Customer Service Charter states: <i>“This Customer charter details the rights available to you as a commercially entitled shareholder and/or domestic irrigator of the Co-operative and in turn your obligations as the recipient of the service provided.”</i>; and Due to the nature and manner of the services provided by PVIC no systems, processes and 	NA	NR

No.	Obligation Under: Water Services Licence - Version 6 and Water Services Act (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
177 (cont.)				controls were expected to be in place to ensure compliance with this obligation during the Audit Period.		
178	5.1.5	The licensee must comply with any direction by the ERA to amend the customer contract.	5	<ul style="list-style-type: none"> PVIC has stated it did not enter into customer contracts in respect of the water services it provided during the Audit Period; The Customer Service Charter states: <i>“This Customer charter details the rights available to you as a commercially entitled shareholder and/or domestic irrigator of the Co-operative and in turn your obligations as the recipient of the service provided.”</i>; and Due to the nature and manner of the services provided by PVIC no systems, processes and controls were expected to be in place to ensure compliance with this obligation during the Audit Period. 	NA	NR
179	5.3.1 & 5.3.2	Unless clause 5.3.3 applies, the licensee cannot enter into an agreement with a customer to provide water services that exclude, modify or restrict the terms and conditions of the licence or the requirements of the <i>Code of Conduct</i> without the prior approval of the ERA.	5	<ul style="list-style-type: none"> PVIC has stated it did not enter into customer contracts in respect of the water services it provided during the Audit Period; The Customer Service Charter states: <i>“This Customer charter details the rights available to you as a commercially entitled shareholder and/or domestic</i> 	NA	NR

No.	Obligation Under: Water Services Licence - Version 6 and Water Services Act (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
179 (cont.)				<p><i>irrigator of the Co-operative and in turn your obligations as the recipient of the service provided.”; and</i></p> <ul style="list-style-type: none"> Due to the nature and manner of the services provided by PVIC no systems, processes and controls were expected to be in place to ensure compliance with this obligation during the Audit Period. 		
180	5.3.4	If the licensee enters into an agreement that excludes, modifies or restricts the terms and conditions of the licence or the requirements of the <i>Code of Conduct</i> , the licensee must publish an annual report containing the information specified.	5	<ul style="list-style-type: none"> PVIC has stated it did not enter into customer contracts in respect of the water services it provided during the Audit Period; The Customer Service Charter states: <i>“This Customer charter details the rights available to you as a commercially entitled shareholder and/or domestic irrigator of the Co-operative and in turn your obligations as the recipient of the service provided.”; and</i> Due to the nature and manner of the services provided by PVIC no systems, processes and controls were expected to be in place to ensure compliance with this obligation during the Audit Period. 	NA	NR

No.	Obligation Under: Water Services Licence - Version 6 and Water Services Act (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
181	5.6.1	If the licensee is appointed as the supplier of last resort for a designated area, the licensee must perform the functions of a supplier of last resort, comply with the duties imposed by the Act and carry out its operations under or for the purpose of the last resort plan in accordance with the Act.	n/a	<ul style="list-style-type: none"> As per the document entitled: <i>“Preston Valley Irrigation Co-operative - Audit and Review Plan”</i>, as approved by the ERA, this obligation was not applicable to PVIC during the Audit Period. 	NA	NA
182	3.4.1 (b)	If the licensee provides a water service outside of the operating area the licensee must apply to amend the licence unless otherwise notified by the ERA.	2	<ul style="list-style-type: none"> PVIC has indicated it did not provide a water service outside of the operating area of the licence during the Audit Period; 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). 	D	NR
183	5.4.3	The licensee must comply with the ERA’s Financial Hardship Policy Guidelines as they apply to the licensee.	4	<ul style="list-style-type: none"> This obligation was not applicable to the PVIC during the Audit Period. 	NA	NA
184	6.1.1	The licensee must enter into a Memorandum of Understanding with the Department of Health as soon as practicable after the commencement date or as otherwise agreed with Department of Health.	n/a	<ul style="list-style-type: none"> As the per document entitled: <i>“Preston Valley Irrigation Co-operative - Audit and Review Plan”</i>, as approved by the ERA, this obligation was not applicable to PVIC during the Audit Period. 	NA	NA

No.	Obligation Under: Water Services Licence - Version 6 and Water Services Act (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
185	6.1.2	The Memorandum of Understanding must comply with the specified requirements in relation to legal standing of the document and compliance audits by the Department of Health.	n/a	• As per the document entitled: “Preston Valley Irrigation Co-operative - Audit and Review Plan”, as approved by the ERA, this obligation was not applicable to PVIC during the Audit Period.	NA	NA
186	6.1.3	The licensee must comply with the terms of the Memorandum of Understanding.	n/a	• As per the document entitled: “Preston Valley Irrigation Co-operative - Audit and Review Plan”, as approved by the ERA, this obligation was not applicable to PVIC during the Audit Period.	NA	NA
187	6.1.4	The licensee must publish in the form agreed with the Department of Health, the Memorandum of Understanding and any amendments to the Memorandum of Understanding within one month of signing or making the amendment.	n/a	• As per the document entitled: “Preston Valley Irrigation Co-operative - Audit and Review Plan”, as approved by the ERA, this obligation was not applicable to PVIC during the Audit Period.	NA	NA
188	6.1.5	The licensee must publish the audit report on compliance with its obligations under the Memorandum of Understanding on its website within one month of the completion of the audit.	n/a	• As per the document entitled: “Preston Valley Irrigation Co-operative - Audit and Review Plan”, as approved by the ERA, this obligation was not applicable to PVIC during the Audit Period.	NA	NA
189	6.1.6	The licensee must publish any reports required by the Department of Health or set out in the Memorandum of Understanding on the licensee’s website quarterly or at a reporting frequency specified by the Department of Health.	n/a	• As per the document entitled: “Preston Valley Irrigation Co-operative - Audit and Review Plan”, as approved by the ERA, this obligation was not applicable to PVIC during the Audit Period.	NA	NA

No.	Obligation Under: Water Services Licence - Version 6 and Water Services Act (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
190	Schedule 2	The licensee must comply with the service and performance standards as set out in Schedule 3.	2	<ul style="list-style-type: none"> Paxon has noted the PVIC's Performance Reports for the 2013-2014, 2014-2015 and 2015-2016 reporting periods indicated that: <ul style="list-style-type: none"> 100% of customers provided with non-potable water received annual advice that the water supplied is not suitable for drinking; No planned service interruptions took place; and Irrigation water quality was as follows: <ul style="list-style-type: none"> 2013-2014: 384mg/L of dissolved solids; 2014-2015: 401mg/L of dissolved solids; and 2015-2016: 495mg/L of dissolved solids. Paxon has noted the current Reporting Matrix used by the PVIC does refer to the obligation to submit annual performance reports to the ERA. 	A	1

Table 10: Audit Observations and Recommendations: Water Services Act 2012

[Obligations as per the ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – July 2016" (Numbers 155 to 190)]

4.5 Audit Observations and Recommendations: Water Services Licensing Act 1995

This Summary only lists obligations under Water Services Operating Licence (WSOL) – Versions 2 and 3, which were discontinued under Water Services Operating Licence – Version 4. Obligations included in WSOL - Versions 2 and 3 and carried forward in WSOL – Version 4, are disclosed in section 4.4.

No. ⁴	Obligation Under: Water Services Operating Licence - Versions 2 and 3 Clause Number	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
2	19	The Licensee must achieve prescribed standards as defined in the regulations.	5	<ul style="list-style-type: none"> See the answer provided for reference number 7 directly below. 	A	2
7	20.1 and Sch. 4	The Licensee must comply with the service and performance standards as set out in Schedule 4.	2	<ul style="list-style-type: none"> Paxon has noted the PVIC's Performance Reports for the 2011-2012 and 2012-2013 reporting periods indicated that: <ul style="list-style-type: none"> 100% of customers provided with non-potable water received annual advice the water supplied is not suitable for drinking (2012-2013 only); Irrigation water quality was as follows: <ul style="list-style-type: none"> 2011-2012: 457mg/L of dissolved solids; and 2012-2013: 420mg/L of dissolved solids. Paxon has noted the PVIC's Performance Reports for the 2011-2012 and 2012-2013 reporting periods did not indicate: <ul style="list-style-type: none"> Percentage of customer complaints resolved within 15 business days; nor 	A	2
4	The 'No.' refers to the compliance obligation reference number, as per the ERA's document entitled: "Water Compliance Reporting Manual – Water Services Licensing Act 1995 – July 2012"					

No. ⁴	Obligation Under: Water Services Operating Licence - Versions 2 and 3	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
7 (cont.)				<ul style="list-style-type: none"> Percentage of affected customers who received 5 business days' notice of planned service interruptions; Paxon has noted the current Reporting Matrix used by the PVIC does refer to the obligation to submit annual performance reports to the ERA. The compliance obligations referred to in schedule 4 of WSOL – Versions 2 and 3 are included in the <i>Water, Sewerage and Irrigation Licence Performance Reporting Handbooks</i> for 2014 and 2015. 		
9	6.1	The licensee must establish a customer complaints process as set out in Schedule 3.	2	<ul style="list-style-type: none"> PVIC maintained the following document over the Audit Period: <i>“Preston Valley Irrigation Co-operative Ltd – Customer Service Charter for Preston Valley Irrigation Scheme 2015” (“Customer Service Charter”);</i> Paxon has noted the Customer Service Charter sets out a customer complaints process in section 5 entitled: <i>“Customer Contact”</i>; and Paxon has noted the Customer Service Charter was revised in both 2010 and 2011. 	A	1

No. ⁴	Obligation Under: Water Services Operating Licence - Versions 2 and 3	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
10	Sch. 3 Cl. 3.1	The licensee must resolve customer complaints within 15 business days of the receipt of complaint.	2	<ul style="list-style-type: none"> PVIC has stated all customer complaints were attended to within 24 hours of receipt of a complaint during the period 1 February 2012 to 17 November 2013; The Customer Service Charter states: <i>“Our goal will be to resolve all complaints as quickly as possible but certainly within 15 business days.”</i>; Paxon has noted incomplete records were kept of customer complaints over the period 1 February 2012 to 17 November 2013. Paxon was presented with several loose A4 paper pages which only listed the date and nature of one complaint made in that period. Thus, proper records were not kept ensuring compliance with this obligation; and The compliance obligation referred to in schedule 3 clause 3.1 of Water Services Operating Licences (“WSOL”) – Versions 2 and 3 is not included in WSOL – Version 4. As a result, no recommendation is made as no current compliance obligation exists in respect thereof. 	D	1
12	Sch. 3 Cl. 3.2 (b)	The licensee must provide appropriately trained staff to respond to complaints.	2	<ul style="list-style-type: none"> PVIC has stated it did provide appropriately trained staff to respond to complaints over the period 1 February 2012 to 17 November 2013; 	D	1

No. ⁴	Obligation Under: Water Services Operating Licence - Versions 2 and 3	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
12 (cont.)				<ul style="list-style-type: none"> Paxon has noted the PVIC's Administrative Documents do not refer to this compliance obligation in terms of WSOL Versions 2 and 3; and The compliance obligation referred to in schedule 3 clause 3.2 (b) of WSOL – Versions 2 and 3 is not included in WSOL – Version 4. As a result, no recommendation is made as no current compliance obligation exists in respect thereof. 		
14	Sch. 3 Cl. 3.2 (d)	The licensee must provide an appropriate system to monitor and record the number, nature of and outcomes to complaints.	2	<ul style="list-style-type: none"> The PVIC did not keep a proper complaints' register, covering complaints made during the period 1 February 2012 to 17 November 2013. Paxon was presented with several loose A4 paper pages which only listed the date and nature of one complaint made in that period. Thus, proper records were not kept ensuring compliance with this obligation; Paxon has noted the PVIC's Administrative Documents do not refer to this compliance obligation in terms of WSOL Versions 2 and 3; and The compliance obligation referred to in schedule 3 clause 3.2 (d) of WSOL – Versions 2 and 3 is not included in WSOL – Version 4. As a result, no recommendation is made as no current compliance obligation exists in respect thereof. 	D	4

No. ⁴	Obligation Under: Water Services Operating Licence - Versions 2 and 3 Clause Number	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
15	Sch. 3 Cl. 3.4	The licensee must inform the customer of the option to refer a disputed complaint to the Department of Water.	2	<ul style="list-style-type: none"> PVIC has stated no disputed complaints were made during the period 1 February 2012 to 17 November 2013; The Customer Service Charter states: <i>“Where we are unable to resolve the complaint to your satisfaction within 15 business days you may refer the complaint to the Department of Water for conciliation, investigation and resolution”</i>; and No specific systems, processes and controls are expected to be in place, beyond the above-mentioned reference included in the Customer Service Charter. 	A	NR
17	Schedule 3 Clause 3.6	The licensee must co-operate with the Department of Water’s request for information concerning a disputed complaint.	2	<ul style="list-style-type: none"> PVIC has stated no disputed complaints were made during the period 1 February 2012 to 17 November 2013; The Customer Service Charter states: <i>“The Co-operative will assist the Department of Water in its investigation and seek to resolve the complaint.”</i>; and No specific systems, processes and controls are expected to be in place, beyond the above-mentioned reference included in the Customer Service Charter. 	A	NR

No. ⁴	Obligation Under: Water Services Operating Licence - Versions 2 and 3 Clause Number	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
18	Schedule 3 Clause 3.7	The licensee must, on request, provide complaints details to the Department of Water.	2	<ul style="list-style-type: none"> PVIC has stated no request for complaints detail was received from the Department of Water during the period 1 February 2012 to 17 November 2013; The Customer Service Charter states: <i>"The Co-operative will assist the Department of Water in its investigation and seek to resolve the complaint."</i>; and No specific systems, processes and controls are expected to be in place, beyond the above-mentioned reference included in the Customer Service Charter. 	A	NR
19	Clause 7.1	The licensee must establish a Customer Service Charter as set out in Schedule 3.	4	<ul style="list-style-type: none"> PVIC did have a Customer Service Charter during the period 1 February 2012 to 17 November 2013; and No specific systems, processes and controls are expected to be in place, beyond the establishment of the Customer Service Charter. 	NA	1
20	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.	4	<ul style="list-style-type: none"> PVIC has stated the Customer Service Charter was made available to its customers, during the period 1 February 2012 to 17 November 2013, by prominently displaying it in those parts of the licensee's offices to which customers regularly had access; 	D	2

No. ⁴	Obligation Under: Water Services Operating Licence - Versions 2 and 3	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
20 (cont.)				<ul style="list-style-type: none"> PVIC has stated during the period 1 February 2012 to 17 November 2013: No request for a copy of the Customer Service Charter was made by customers; and No current copy, or a summary document approved by the ERA, was sent to all customers. Paxon has noted the PVIC's Administrative Documents do not refer to this compliance obligation in terms of WSOL Versions 2 and 3; and The compliance obligation referred to in schedule 3 clause 2.5 of WSOL – Versions 2 and 3 is not included in WSOL – Version 4. As a result, no recommendation is made as no current compliance obligation exists in respect thereof. 		
21	Schedule 3 Clause 2.6	The licensee must review its Customer Service Charter at least once in every three-year period.	4	<ul style="list-style-type: none"> The Customer Service Charter states on the front page it was revised as follows: <ul style="list-style-type: none"> 23/11/2010; 08/02/2011; 17/12/2013; and 01/07/2015. Thus, no review of the Customer Service Charter was required during the period 1 February 2012 to 17 November 2013; 	D	NA

No. ⁴	Obligation Under: Water Services Operating Licence - Versions 2 and 3	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
21 (cont.)				<ul style="list-style-type: none"> Paxon has noted the PVIC's Administrative Documents do not refer to this compliance obligation in terms of WSOL Versions 2 and 3; and The compliance obligation referred to in schedule 3 clause 2.6 of WSOL – Versions 2 and 3 is not included in WSOL – Version 4. As a result, no recommendation is made as no current compliance obligation exists in respect thereof. 		
22	Schedule 3 Clause 2.7	The licensee must provide its services consistent with its Customer Service Charter.	4	<ul style="list-style-type: none"> PVIC has stated it did provide its services consistent with its Customer Service Charter during the period 1 February 2012 to 17 November 2013; Paxon has noted the PVIC's Administrative Documents do not refer to this compliance obligation in terms of WSOL Versions 2 and 3; and The compliance obligation referred to in schedule 3 clause 2.7 of WSOL – Versions 2 and 3 is not included in WSOL – Version 4. As a result, no recommendation is made as no current compliance obligation exists in respect thereof. 	D	1
23	Clause 8	The licensee must establish customer consultation processes as set out in Schedule 3.	4	<ul style="list-style-type: none"> PVIC has stated formal customer consultation processes were operational during the period 1 February 2012 to 17 November 2013; 	D	2

No. ⁴	Obligation Under: Water Services Operating Licence - Versions 2 and 3	Clause Number	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
					Including Recommendations	Controls	Compliance
23 (cont.)					<ul style="list-style-type: none"> Paxon has noted the PVIC's Administrative Documents do not refer to this compliance obligation in terms of WSOL Versions 2 and 3; and The compliance obligation referred to in clause 8 of WSOL – Versions 2 and 3 is not included in WSOL – Version 4. As a result, no recommendation is made as no current compliance obligation exists in respect thereof. 		
24	Schedule Clause 4.1	3	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.	4	<ul style="list-style-type: none"> PVIC has stated the following customer consultation processes were operational during the period 1 February 2012 to 17 November 2013: <ul style="list-style-type: none"> Shareholder meetings; and Advertisements in local newspapers and information distributed with bills issues. Paxon has noted the PVIC's Administrative Documents do not refer to this compliance obligation in terms of WSOL Versions 2 and 3; and The compliance obligation referred to in clause 8 of WSOL – Versions 2 and 3 is not included in WSOL – Version 4. As a result, no recommendation is made as no current compliance obligation exists in respect thereof. 	D	2

No. ⁴	Obligation Under: Water Services Operating Licence - Versions 2 and 3	Clause Number	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
					Including Recommendations	Controls	Compliance
25	Schedule Clause 4.2	3	The licence must consult the Authority on the type and extent of consultation to be adopted by the licensee.	4	<ul style="list-style-type: none"> PVIC has stated it did not consult the ERA on the type and extent of consultation it had to adopt during the period 1 February 2012 to 17 November 2013; Paxon has noted the PVIC's Administrative Documents do not refer to this compliance obligation in terms of WSOL Versions 2 and 3; and The compliance obligation referred to in Schedule 3 clause 4.2 of WSOL – Versions 2 and 3 is not included in WSOL – Version 4. As a result, no recommendation is made as no current compliance obligation exists in respect thereof. 	D	4
26	Schedule Clause 4.3	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.	4	<ul style="list-style-type: none"> PVIC has stated the ERA did not request it to establish other forums for consultation during the period 1 February 2012 to 17 November 2013; Paxon has noted the PVIC's Administrative Documents do not refer to this compliance obligation in terms of WSOL Versions 2 and 3; and The compliance obligation referred to in Schedule 3 clause 4.3 of WSOL – Versions 2 and 3 is not included in WSOL – Version 4. As a result, no recommendation is made as no current compliance obligation exists in respect thereof. 	D	NR

No. ⁴	Obligation Under: Water Services Operating Licence - Versions 2 and 3	Clause Number	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
					Including Recommendations	Controls	Compliance
27	Schedule Clause 4.4	3	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.	4	<ul style="list-style-type: none"> PVIC has stated it did not hold season opening and closing public meetings during the period 1 February 2012 to 17 November 2013; The Customer Service Charter states: <i>"Each season, opening and closing advice notices will be mailed to all entitled users on the scheme and advertised in local newspapers"</i>; Paxon has noted the PVIC's Administrative Documents do not refer to this compliance obligation in terms of WSOL Versions 2 and 3; and The compliance obligation referred to in Schedule 3 clause 4.4 of WSOL – Versions 2 and 3 is not included in WSOL – Version 4. As a result, no recommendation is made as no current compliance obligation exists in respect thereof. 	D	4
32	Schedule Clause 6	3	The licensee must conduct a customer survey if directed to by the Authority.	5	<ul style="list-style-type: none"> PVIC has stated it was not directed by the ERA to conduct a customer survey during the period 1 February 2012 to 17 November 2013; The Customer Service Charter states: <i>"We will carry out from time to time surveys of customers requesting input and opinions of general and specific matters..."</i>; 	D	NR

No. ⁴	Obligation Under: Water Services Operating Licence - Versions 2 and 3 Clause Number	Summary Description of Obligation	Audit Priority Applied (Rated as: 1 – High to 5 – Low)	Systems, Processes and Controls in Place at PVIC to Ensure Compliance with Licence Obligations	Ratings (as per Table 7)	
				Including Recommendations	Controls	Compliance
32 (cont.)				<ul style="list-style-type: none"> Paxon has noted the PVIC's Administrative Documents do not refer to this compliance obligation in terms of WSOL Versions 2 and 3; and The compliance obligation referred to in Schedule 3 clause 6 of WSOL – Versions 2 and 3 is not included in WSOL – Version 4. As a result, no recommendation is made as no current compliance obligation exists in respect thereof. 		

Table 11: Audit Observations and Recommendations: Water Services Licensing Act 1995

[Obligations as per the ERA's: "Water Compliance Reporting Manual – Water Services Licensing Act 1995 – July 2012"]

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		
	Details of Non-Compliance or Controls Inadequacy	Management Action Taken	

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. 	

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. 	

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. 	
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: <i>"Australian Accounting Standards and mandatory professional reporting requirements have not been</i> 	<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. 	

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		
160 (04/2017) (continued)	<p><i>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). 		

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

5 Asset Management System Review: Comprehensive Report

5.1 Asset Management System Rating Scales

The effectiveness ratings assigned to each asset management system component as a result of the Review, are set out in the following two Tables - taken from the ERA's document entitled: "Audit and Review Guidelines: Water Licences – July 2014" (ERA's Guidelines)."

Asset Management Process and Policy Definition Adequacy Ratings ERA's Guidelines: Table No. 8

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) are not fit for purpose (taking into consideration the assets that are being managed).

Table 13: Asset Management Process and Policy Definition Adequacy Ratings

Asset Management Performance Ratings
ERA's Guidelines: Table No. 9

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.

Table 14: Asset Management Performance Ratings

5.2 Asset Management System: Effectiveness Ratings Summary

Asset Management System	Asset Management Process and Policy Definition Adequacy Rating				Asset Management Performance Rating			
Component	Adequately Defined	Requires Some Improvement	Requires Significant Improvement	Inadequate	Performing Effectively	Opportunity for Improvement	Corrective Action Required	Serious Action Required
	A	B	C	D	1	2	3	4
Asset Planning								
• Asset Management Plan covers key requirements;			✓			✓		
• Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning;			✓			✓		
• Service levels are defined;	✓				✓			
• Non-asset options are considered;			✓			✓		
• Life cycle costs of owning and operating the assets are assessed;			✓			✓		
• Funding options are evaluated;		✓				✓		
• Costs are justified and cost drivers identified;			✓			✓		
• Likelihood and consequences of asset failure are predicted; and			✓			✓		
• Plans are regularly reviewed and updated.			✓				✓	
Asset Creation and Acquisition								
• Full project evaluations are undertaken for new assets including comparative estimates of non-asset solutions;			✓			✓		
• Evaluations include all lifecycle costs;			✓				✓	

Asset Management System	Asset Management Process and Policy Definition Adequacy Rating				Asset Management Performance Rating			
Component	Adequately Defined	Requires Some Improvement	Requires Significant Improvement	Inadequate	Performing Effectively	Opportunity for Improvement	Corrective Action Required	Serious Action Required
	A	B	C	D	1	2	3	4
<ul style="list-style-type: none"> Projects reflect sound engineering and business decisions; 			✓			✓		
<ul style="list-style-type: none"> Commissioning tests are documented and completed; and 				✓		✓		
<ul style="list-style-type: none"> Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood. 		✓				✓		
Asset Disposal								
<ul style="list-style-type: none"> Under performing and underutilised assets are identified as part of a regular systematic review process; 			✓			✓		
<ul style="list-style-type: none"> The reasons for underutilisation or poor performance are critically examined and corrective action or disposal undertaken; 			✓			✓		
<ul style="list-style-type: none"> Disposal alternatives are evaluated; and 			✓				✓	
<ul style="list-style-type: none"> There is a replacement strategy for assets. 		✓			✓			
Environmental Analysis								
<ul style="list-style-type: none"> Opportunities and threats in the system are assessed; 			✓			✓		
<ul style="list-style-type: none"> Performance standards (availability of service, capacity, 		✓			✓			

Asset Management System	Asset Management Process and Policy Definition Adequacy Rating				Asset Management Performance Rating			
Component	Adequately Defined	Requires Some Improvement	Requires Significant Improvement	Inadequate	Performing Effectively	Opportunity for Improvement	Corrective Action Required	Serious Action Required
	A	B	C	D	1	2	3	4
continuity, emergency response etc.) are measured and achieved;								
• Compliance with statutory and regulatory requirements; and			✓			✓		
• Achievement of customer service levels.		✓			✓			
Asset Operations								
• Operational procedures and policies are documented and linked to service levels required;			✓		✓			
• Risk management is applied to prioritise operations tasks;			✓		✓			
• Assets are documented in an asset register including asset type, location, material, plans of components and assessment of assets physical /structural condition and accounting data;			✓			✓		
• Operational costs are measured and monitored; and			✓		✓			
• Staff resources are adequate and staff receive training commensurate with their responsibilities.		✓			✓			
Asset Maintenance								
• Maintenance policies and procedures are documented and linked to service levels required;			✓			✓		

Asset Management System	Asset Management Process and Policy Definition Adequacy Rating				Asset Management Performance Rating			
Component	Adequately Defined	Requires Some Improvement	Requires Significant Improvement	Inadequate	Performing Effectively	Opportunity for Improvement	Corrective Action Required	Serious Action Required
	A	B	C	D	1	2	3	4
• Regular inspections are undertaken of asset performance and condition;			✓		✓			
• Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule;			✓			✓		
• Failures are analysed and operation /maintenance plans are adjusted where necessary;			✓			✓		
• Risk management is applied to prioritise maintenance tasks; and			✓			✓		
• Maintenance costs are measured and monitored.			✓		✓			
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;			✓			✓		
• Logical access controls appear adequate such as passwords;			✓		✓			
• Physical security access controls appear adequate;			✓		✓			

Asset Management System	Asset Management Process and Policy Definition Adequacy Rating				Asset Management Performance Rating			
	Component	Adequately Defined	Requires Some Improvement	Requires Significant Improvement	Inadequate	Performing Effectively	Opportunity for Improvement	Corrective Action Required
		A	B	C	D	1	2	3
	<ul style="list-style-type: none"> Data back-up procedures appear adequate and back-ups are tested; 			✓			✓	
	<ul style="list-style-type: none"> Key computations related to Licensee performance reporting are materially accurate; and 			✓		✓		
	<ul style="list-style-type: none"> Management reports appear adequate for the Licensee to monitor licence obligations. 		✓			✓		
	Risk Management							
	<ul style="list-style-type: none"> Risk management policies and procedures exist and are being applied to minimise internal and external risk associated with the asset management system; 			✓			✓	
	<ul style="list-style-type: none"> Risks are documented in a risk register and treatment plans are actioned and monitored; and 				✓		✓	
	<ul style="list-style-type: none"> The probability and consequences of asset failure are regularly assessed. 			✓			✓	
	Contingency Planning							
	<ul style="list-style-type: none"> Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks. 			✓				✓

Asset Management System	Asset Management Process and Policy Definition Adequacy Rating				Asset Management Performance Rating			
Component	Adequately Defined	Requires Some Improvement	Requires Significant Improvement	Inadequate	Performing Effectively	Opportunity for Improvement	Corrective Action Required	Serious Action Required
	A	B	C	D	1	2	3	4
Financial Planning								
<ul style="list-style-type: none">The financial plan states the financial objectives and strategies and actions to achieve the objectives;			✓		✓			
<ul style="list-style-type: none">The financial plan identifies the source of funds for capital expenditure and recurrent costs;			✓		✓			
<ul style="list-style-type: none">The financial plan provides projections of operating statements (profit and loss) and financial position (balance sheet);			✓		✓			
<ul style="list-style-type: none">The financial plan provides firm predictions of income for the next five years and reasonable indicative predictions beyond this period;			✓				✓	
<ul style="list-style-type: none">The financial plan provides for the operation, maintenance, administration and capital expenditure requirements of the services; and			✓			✓		
<ul style="list-style-type: none">Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.			✓		✓			
Capital Expenditure Planning								
<ul style="list-style-type: none">There is a capital expenditure plan that covers issues to be			✓				✓	

Asset Management System	Asset Management Process and Policy Definition Adequacy Rating				Asset Management Performance Rating			
Component	Adequately Defined	Requires Some Improvement	Requires Significant Improvement	Inadequate	Performing Effectively	Opportunity for Improvement	Corrective Action Required	Serious Action Required
	A	B	C	D	1	2	3	4
addressed, actions proposed responsibilities and dates;								
<ul style="list-style-type: none">The plan provides reasons for capital expenditure and timing of expenditure;			✓				✓	
<ul style="list-style-type: none">The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan; and				✓			✓	
<ul style="list-style-type: none">There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.				✓			✓	
Review of Asset Management System								
<ul style="list-style-type: none">A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current; and				✓			✓	
<ul style="list-style-type: none">Independent reviews (e.g. internal audit) are performed of the asset management system.	✓				✓			

Table 15: Asset Management System: Effectiveness Ratings Summary

5.3 Review Observations and Recommendations

Asset Management System	Systems, Processes and Controls in Place at PVIC for Asset Management	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	Including Recommendations		
Asset Planning	<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; • 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. <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; 	C	2

Asset Management System	Systems, Processes and Controls in Place at PVIC for Asset Management	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	Including Recommendations		
Asset Planning (continued)	and <ul style="list-style-type: none"> The AMP should be updated in several areas as recommended in Item 11 – Asset Management System Review. 		
Asset Creation and Acquisition	<ul style="list-style-type: none"> 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, cleaned of any foreign material and replaced in service. Although rare in occurrence, any meter found to be faulty during this procedure is replaced; 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. <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. 	C	2
Asset Disposal	<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. 	C	2

Asset Management System	Systems, Processes and Controls in Place at PVIC for Asset Management	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	Including Recommendations		
Environmental Analysis	<ul style="list-style-type: none"> • The AMP's: <ul style="list-style-type: none"> • Section on the Asset Environment provides an adequate outline of the irrigation area as a whole, and recent trends in the type of agriculture, population and climate. The Legislative and Licensing environment under which the PVIC operates is not discussed and should be included in this section; • Records of annual water use derived from meter readings by the Waterman were noted, together with annual salinity data surrounding area waters. The performance standards were achieved; and • Reports to the ERA for each of the five years of the reporting period were reviewed. With the exception of two instances of late reporting, PVIC's compliance with its WSL was noted. 	B	1
Asset Operations	<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 comprehensive, the following amendments should be implemented: <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; 	C	1

Asset Management System	Systems, Processes and Controls in Place at PVIC for Asset Management Including Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset Operations (continued)	<ul style="list-style-type: none"> • 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 PVIC should prepare at least an informal budget, even if only to underline its financial responsibility to its shareholders; and • PVIC’s operating staff are well qualified and experienced in their respective roles. <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 a thirty years 		

Asset Management System	Systems, Processes and Controls in Place at PVIC for Asset Management	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	Including Recommendations		
Asset Operations (continued)	<p>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. 		
Asset Maintenance	<ul style="list-style-type: none"> The AMP includes a section on maintenance. However, the text addresses testing and maintenance of meters and the holding of spare parts – all of which have been replaced by the practise set out in Item 2 above: <i>“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 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. 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, cleaned of any foreign material and replaced in service. Although rare in occurrence, any meter found to be faulty during this procedure is replaced.”;</i> Meters are read fortnightly by the Waterman and the readings, together with any comments are provided to and recorded by the Financial Secretary. Adjustment of the by-pass valve at the canoe course dam to maintain the river water level, together with adjustment of the outflow valve at the Glen Mervyn dam and discharge meter readings are also included in the Waterman's duties; and 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. Recommendation 05/2017 <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 	C	1

Asset Management System	Systems, Processes and Controls in Place at PVIC for Asset Management	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	Including Recommendations		
Asset Maintenance (continued)	levels, control of the rate of discharge from the Glen Mervyn dam and the discharge meter reading should also be set out.		
Asset Management Information System	<ul style="list-style-type: none"> PVIC employs a qualified Accountant - on a part time basis, as its Financial Secretary. She manages PVIC's office, which is open on Tuesdays and Thursdays. Her duties, are set out in the AMP and include the management of payable and receivable accounts, expenditure monitoring, processing of water applications, share register maintenance, recording meter readings and preparation of monthly customer accounts, financial reports to the Board of Directors and compliance reports to the ERA; PVIC's operations and business are uncomplicated and do not warrant the use a dedicated Asset Management software package. The asset management system is based on the financial package MYOB supported by computer-based tables and spread sheets; Careful entry of data by the same competent individual is considered to be adequate; 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; Computations associated with the operations and management are basic. Several were spot checked as correct by the Reviewer; and Five annual reports and miscellaneous records of water use were reviewed and found to be adequate. <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. 	C	2
Risk Management	<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</p>	C	2

Asset Management System	Systems, Processes and Controls in Place at PVIC for Asset Management	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	Including Recommendations		
Risk Management (continued)	<p>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> <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 determines what proportion of the allocation (say 60% for example) will be available and advises its customers accordingly. 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. <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. 		
Contingency Planning	<ul style="list-style-type: none"> The AMP refers to: <ul style="list-style-type: none"> PVIC's contamination policy and procedure, which are attached as Appendix A. However, a copy of the Appendix could not be located; 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 	C	3

Asset Management System	Systems, Processes and Controls in Place at PVIC for Asset Management	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	Including Recommendations		
Contingency Planning (continued)	<p>in their application; and</p> <ul style="list-style-type: none"> • 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. <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; • 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. 		
Financial Planning	<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. If extended on a rolling five-year basis (as recommended in the following) the plan will be totally conforming; and • Items included are as follows: <ul style="list-style-type: none"> • The plan is basic, as is the operation and management of the system. Details include five categories of income, six of standard expenditure and twenty of operating expenditure. Annual profit of some \$13,000 to \$15,000 is anticipated on an income in the order of \$110,000 to \$125,000; • PVIC has a significant reserve (term deposit) account in addition to a predicted cheque balance that provides for the fluctuations of income and expenditure during successive irrigation seasons and the non-operating periods in between. The cheque account balances are predicted to remain positive and adequate to fund expected variations in income and expenditure; and 	C	2

Asset Management System	Systems, Processes and Controls in Place at PVIC for Asset Management	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	Including Recommendations		
Financial Planning (continued)	<ul style="list-style-type: none"> 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. <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; 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. 		
Capital Expenditure Planning	<ul style="list-style-type: none"> PVIC's capital expenditure is small – involving annual purchase of meters, occasional purchase of office equipment, canoe course dam gates and seepage protection works at the dam; 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 no expenditure in 2012/13 for new gates, but expenditure of approximately \$11,000 on new gates in 2016/17; and 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 on-going monthly and annual comparison of budgeted and actual expenditure should be formalised. Also, the discrepancy noted above could have been avoided. <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. 	C	3
Review of Asset Management System	<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 	C	3

Asset Management System	Systems, Processes and Controls in Place at PVIC for Asset Management	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	Including Recommendations		
Review of Asset Management System (continued)	Quantum. The previous recommendation is reinforced as follows: Recommendation 11/2017 <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. 		

Table 16: Review Observations and Recommendations

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		Auditor's Comments
	Criteria/Details of Asset Management System Deficiency	Management Action Taken	

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			
Ref. (no./year)	Asset Management System Effectiveness Rating		Management Action Taken by End of Audit Period
	Asset Management System Component		
	Criteria/Details of Asset Management System Issue		
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;• Despite the simplicity of the scheme, life cycle costs are not effectively reflected in the financial plan. The financial plan		Recommendation 01/2017 <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.

Current Review: Issues and Recommendations			
B. Unresolved at End of Current Review Period			
Ref. (no./year)	Asset Management System Effectiveness Rating		Management Action Taken by End of Audit Period
	Asset Management System Component		
	Criteria/Details of Asset Management System Issue		
01/2017 (continued)	considers annual income and expenditure and reports a small annual profit, which PVIC expects to be on going; <ul style="list-style-type: none">• 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, cleaned of any foreign material and replaced in service. Although rare in occurrence, any meter found to be faulty during this procedure is replaced;		Recommendation 02/2017 <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.

Current Review: Issues and Recommendations			
B. Unresolved at End of Current Review Period			
Ref. (no./year)	Asset Management System Effectiveness Rating		Management Action Taken by End of Audit Period
	Asset Management System Component		
	Criteria/Details of Asset Management System Issue		
02/2017 (continued)	<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.		
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.	Recommendation 03/2017 <ul style="list-style-type: none">• The reason for and procedure for disposal of assets should be set out in the AMP.	
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	Recommendation 04/2017 <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	

Current Review: Issues and Recommendations			
B. Unresolved at End of Current Review Period			
Ref. (no./year)	Asset Management System Effectiveness Rating		Management Action Taken by End of Audit Period
	Asset Management System Component		
	Criteria/Details of Asset Management System Issue		
04/2017 (continued)	<p>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;</p> <ul style="list-style-type: none">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 comprehensive, the following amendments should be implemented:<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		<p>Register:</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; andThe 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			
Ref. (no./year)	Asset Management System Effectiveness Rating		Management Action Taken by End of Audit Period
	Asset Management System Component		
	Criteria/Details of Asset Management System Issue		
04/2017 (continued)	<p>above;</p> <ul style="list-style-type: none">• 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 PVIC should prepare at least an informal budget, even if only to underline its financial responsibility to its shareholders; and• 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		<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,

Current Review: Issues and Recommendations			
B. Unresolved at End of Current Review Period			
Ref. (no./year)	Asset Management System Effectiveness Rating		Management Action Taken by End of Audit Period
	Asset Management System Component		
	Criteria/Details of Asset Management System Issue		
05/2017 (continued)	recommendation is made with a view to documenting these procedures.		control of the rate of discharge from the Glen Mervyn dam and the discharge meter reading should also be set out.
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;		Recommendation 06/2017 <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.
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.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;		Recommendation 07/2017 <ul style="list-style-type: none">• The existing section on Risk Management in the AMP should be extended to include the above explanatory text.

Current Review: Issues and Recommendations			
B. Unresolved at End of Current Review Period			
Ref. (no./year)	Asset Management System Effectiveness Rating		Management Action Taken by End of Audit Period
	Asset Management System Component		
	Criteria/Details of Asset Management System Issue		
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 determines what proportion of the allocation (say 60% for example) will be available and advises its customers accordingly;• 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.		

Current Review: Issues and Recommendations			
B. Unresolved at End of Current Review Period			
Ref. (no./year)	Asset Management System Effectiveness Rating		Management Action Taken by End of Audit Period
	Asset Management System Component		
	Criteria/Details of Asset Management System Issue		
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 attached as Appendix A. However, a copy of the Appendix could not be located;• 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.		<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;• 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.

Current Review: Issues and Recommendations			
B. Unresolved at End of Current Review Period			
Ref. (no./year)	Asset Management System Effectiveness Rating		Management Action Taken by End of Audit Period
	Asset Management System Component		
	Criteria/Details of Asset Management System Issue		
09/2017	<ul style="list-style-type: none">• Rating: C 2;• Component: Financial Planning; and• Details:<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.		<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;• 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.
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.

Current Review: Issues and Recommendations				
B. Unresolved at End of Current Review Period				
Ref. (no./year)	Asset Management System Effectiveness Rating		Management Action Taken by End of Audit Period	
	Asset Management System Component			Auditor’s Recommendation
	Criteria/Details of Asset Management System Issue			
10/2017 (continued)	no expenditure in 2012/13 for new gates, but expenditure of approximately \$11,000 on new gates in 2016/17; and <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 on-going monthly and annual comparison of budgeted and actual expenditure should be formalised. Also, the discrepancy noted above could have been avoided.			
11/2017	<ul style="list-style-type: none">Rating: C 3;Component: Review of Asset Management System; andDetails:<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.		Recommendation 11/2017 <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.	

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

6 Audit Opinion

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

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