



Ord Irrigation Co-operative Limited Water Services (Operating) Licence

Operational Audit and Asset Management System Review

Report
18 September 2019

PAXON GROUP

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1 Executive Summary

1.1 Operational Audit

Audit Objective

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

The Audit covered the period from 1 June 2015 to 31 May 2019 (Audit Period).

Licence, Business and Major Changes

Ord Irrigation Co-operative Limited (OICL) provides water services under the provisions of a Water Services Licence issued by the Economic Regulation Authority (ERA).

OICL was granted a Water Services (Operating) Licence (WL37) by the ERA. WL37 commenced on 29 November 2002 and authorises OICL 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). The Act, except for some sections, commenced on 18 November 2013. An 'amendment by substitution' was made to WL37, dated 18 November 2013, to take account of the provisions of the Act.

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

OICL's Response to Previous Audit Report Recommendations

The previous Audit was conducted by Cardno in respect of the period 1 June 2012 to 31 May 2015. The Cardno report, dated 17 August 2015 identified 10 instances of inadequate controls and/or non-compliance with individual obligations.

Paxon found that:

- Nine of these individual obligations refer to the Water Services Code of Conduct (Customer Service Standards) 2013. The Water Services Code of Conduct (Customer Service Standards) 2018, in clause 4(2) limits its application to the supply of drinking water and sewerage service. Thus, it is not applicable to the water services OICL is licensed to provide being non-potable water supply services and irrigation services; and
- One of these individual obligations has been resolved.

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

The Audit identified several instances of inadequate controls for, and non-compliances with the conditions of WL37.

Two separate assessments are provided in respect of the individual obligations disclosing Paxon's findings for both controls and compliance:

- A summarised assessment of both controls and compliance per individual obligation is disclosed in Table 9 entitled: "*Audit: Obligation Ratings Summary*" as included in section 4.2 of this Report; and
- A detailed assessment of both controls and compliance per individual obligation, including recommendations for findings of inadequate controls or non-compliance, is disclosed in Table 10 entitled: "*Audit Observations and Recommendations*" as included in section 4.3 of this Report.

Furthermore, specific detailed information as to those individual obligations assessed as having inadequate controls or being non-compliant is disclosed in Table 11 entitled: "*Current Audit: Inadequate Controls, Non-Compliances and Recommendations*" as included in section 4.4 of this Report.

Control Environment

OICL was assessed to have had adequate controls during the Audit Period to help ensure compliance with its Licence conditions. Paxon's assessment of 112 individual obligations found:

- 80 individual obligations which had adequate controls; and
- 3 individual obligations which had generally adequate controls.

Recommendations were made to improve the control deficiencies and are included in Table 11 entitled: "*Current Audit: Inadequate Controls, Non-Compliances and Recommendations*" (1/2019 and 2/2019).

Licence Compliance

OICL was assessed to have had few activities during the Audit Period which required compliance with the individual obligations. Paxon's assessment of 112 individual obligations found:

- 67 individual obligations for which no activity took place;
- 20 individual obligations where OICL complied with its obligations; and
- 12 individual obligations where OICL did not comply with its obligations.

Recommendations were made in respect of the non-compliant obligations and are included in Table 11 entitled: "*Current Audit: Inadequate Controls, Non-Compliances and Recommendations*".

Table 1 below provides a summary of the Audit ratings for both controls and compliance across all obligations:

		Compliance Rating						
		1	2	3	4	NR	NA	Total
Controls Rating	A	15	1	4	3	57		80
	B				3			3
	C	1						1
	D	3			1	7		11
	NP	1				3		4
	NA						13	13
	Total	20	1	4	7	67	13	112

Table 1: Summary of Audit Ratings

1.2 Asset Management System Effectiveness Review

Review Objective

The Act requires that OICL provides for and maintains an asset management system. The system should set out the processes to be taken by OICL to ensure the proper planning, operation, financing, maintenance, repair and renewal of assets used to provide water services and for monitoring of its water services. The Act requires that OICL 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 OICL 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 1 June 2015 to 31 May 2019.

Summary of Conclusions

This review concludes that OICL operates all areas of its non-potable water supply services and irrigation services in a professional and competent manner.

OICL's Actions on Previous Review Report Recommendations

Cardno conducted the previous Review. The Review Report, dated August 2015, identified an issue related to recording of assets condition as follows:

Asset Operations – Partly Resolved

- That OICL looks to record the asset condition information during the next annual inspection in 2016 and looks to input this data into Loc8; and
- Although OICL has good knowledge relating to its assets and their condition, having a full set of asset condition information in its asset management system would enhance the prioritisation for remedial work and renewals for the capital expenditure program.

Asset Management System Effectiveness Assessment

Tables 9 and 10 of the ERA's: "2019 Audit and Review Guidelines - Water Licences – March 2019" provided the basis for the "Process and Policy Rating" and "Performance Rating" allocated during the Review.

The Reviewer's assessment of OICL's asset management system's prime components is summarised in Table 2 below:

Asset Management System	Process and Policy Rating				Performance Rating			
	A	B	C	D	1	2	3	4
Process	Adequately Defined	Requires Some Improvement	Requires Substantial Improvement	Inadequate	Performing Effectively	Improvement Required	Corrective Action Required	Serious Action Required
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 Ratings

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 OICL to meet the conditions referred to in the Licence including the legislative obligations called up by the Licence.

The Audit was performed as a reasonable assurance engagement.

This Audit Report identifies areas where improvement is required and recommends corrective action (see Table 11 entitled: “*Current Audit: Inadequate Controls, Non-Compliances and Recommendations (Part B)*” as in section 4.4 of this Report).

2.1.2 Asset Management System Review

The Act requires for OICL to provide for and maintain an asset management system. The system should set out the processes to be taken by OICL to ensure the proper planning, operation, financing, maintenance, repair and renewal of its assets and for monitoring of its water services. The Act requires OICL to provide the ERA with a report by an independent expert on the effectiveness of the system.

The review was performed as a limited assurance engagement.

This review provides the ERA with an independent opinion on whether OICL has in place the appropriate systems for the planning, construction, operation and maintenance of its water services assets.

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

Further references to the Audit scope are included in this section of the Report.

2.2.2 Asset Management System Review

The Review focused on the asset management system, including asset management plans, which set out the measures taken by OICL for the proper operation and maintenance of assets. The plans must convey OICL'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 are included 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. This approach assessed the appropriate risk factors and consequently the Audit and Review fieldwork focused on higher risk areas, with less intensive coverage of medium and lower risk areas.

2.3.2 Fieldwork

The Audit fieldwork consisted of the following steps:

- Conducted an initial meeting with relevant staff at OICL and reviewed processes to obtain an understanding of procedures, systems and controls which were 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 Period as well as at the

time of the Audit;

- Followed up and confirmed action taken on any previous Audit 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.

The Review fieldwork consisted of the following steps:

- In company with the General Manager, inspected the water services facilities, including channels, pipelines, Dethridge wheels, pumping stations and distribution accessories. Discussed general operation practises and strategies, process implications, production and quality monitoring;
- Assessed the adequacy or otherwise of the outputs of the system - including documentation of performance standards and statutory requirements, system opportunities and threats, preparation of operations manuals, maintenance schedules and action records, registers of the location, condition, age etc. of assets;
- Assessed the extent to which the risks associated with the system environment and/or unexpected system failures have been assessed, quantified, documented as contingency plans and reduced by specific practices - such as stocking selected spare parts or, equipment items subject to extended delivery or repair periods;
- Assessed the existence and effectiveness of systems implemented for the assessment, planning, financing and construction of new, replacement and major maintenance works and disposal of redundant assets;
- Whether or not the system has been subjected to regular internal review; with systems in place to ensure that plans are regularly updated to current status, provide for prior identification of new or replacement assets, their implementation; and initiatives to improve the overall effectiveness of the asset management system; and
- Assessing OICL's response to the recommendations made in the previous review.

2.3.3 Audit/Review Reporting

The Audit/Review reporting consisted of the following steps:

- Provided a draft Audit and Review Report to the ERA for review. The ERA forwarded the draft Audit and Review Report to OICL for their comment;
- The ERA provided comments on the draft Audit and Review Report to Paxon. Paxon considered the comments received and made amendments to the draft Audit and Review Report, as appropriate; and
- Paxon provided the final Audit and Review Report to the ERA.

The ERA will procure the post-audit/review implementation plan from OICL.

2.4 Time Interval Covered in Audit/Review

The Audit and Review both covered the period from 1 June 2015 to 31 May 2019. The previous Audit and Review both covered the period from 1 June 2012 to 31 May 2015.

2.5 Audit/Review Dates

The Audit/Review fieldwork was conducted during July 2019.

2.6 Licensee's Representatives

OICL's employees who participated in the Audit are as follows:

Staff Member	Position
Mathew Dear	General Manager
Marie Clothier	Administration Manager

Table 3: OICL Employees Who Participated in the Audit

OICL's employees and others who participated in the Review are as follows:

Staff Member	Position
Mathew Dear	General Manager
Marie Clothier	Administration Manager
Blu Gaff	Environmental Officer

Table 4: OICL Employees Who Participated in the 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 Code of Conduct (Customer Service Standards) 2018;
- Water Services Regulations 2013;
- Water Services Operating Licence – Ord Irrigation Co-operative Limited - WL37, Version 4, 23 December 2013;
- Water Services Licence – Ord Irrigation Co-operative Limited - WL37, Version 5, 1 July 2016;
- Water Services Licence – Ord Irrigation Co-operative Limited - WL37, Version 6, 10 August 2016;
- 2019 Audit and Review Guidelines - Water Licences – March 2019;
- Operational Audit and Asset Management System Review – Ord Irrigation Cooperative - 3605-07 – August 2015 – Cardno;
- Water Compliance Reporting Manual – Water Services Act 2012 – May 2018;

- Water Compliance Reporting Manual – Water Services Act 2012 – October 2017;
- Compliance reports (2014/2015 to 2017/2018);
- Water, sewerage and irrigation licence performance reporting datasheets (2014/2015 to 2017/2018);
- OICL - Annual Report – 2015;
- OICL – Financial Report – For the Year Ended 30 June 2018;
- Sample of OICL tax invoices;
- OICL Complaints Log;
- Compliance Notices issued by OICL;
- OICL's Customer Service Charter – August 2016;
- OICL's legal and compliance register;
- Communication with the ERA (over the Audit Period).

2.7.2 Asset Management System Effectiveness Review

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

- Water Services Operating Licence – Ord Irrigation Co-operative Limited - WL37, Version 4, 23 December 2013;
- Water Services Licence – Ord Irrigation Co-operative Limited - WL37, Version 5, 1 July 2016;
- Water Services Licence – Ord Irrigation Co-operative Limited - WL37, Version 6, 10 August 2016;
- Operational Audit and Asset Management System Review – Ord Irrigation Cooperative - 3605-07 – August 2015 – Cardno;
- HSE Consulting – Report on Management Systems Audit – February 2019;
- OICL – Policies, Plans and Procedures Manual - March 2019;
- OICL - Customer Service Charter;
- Agreement between Ord Irrigation Asset Mutual Cooperative Limited and OICL;
- OICL Annual Reports to ERA for 2015/16, 2016/17 and 2017/18;
- OICL – Annual Reports to Department of Water – 2016, 2017 and 2018;
- OICL - Report to Board of Directors dated 12th June 2019;
- OICL - Minutes of Board meeting dated 24th April 2019;
- OICL - Minutes of Board Meeting dated 27th February 2019;
- Ord Irrigation Asset Mutual Cooperative Limited - Budget Variance - January 2019 to 30th April 2019;
- OICL - Environmental Report dated 26th June 2019;
- OICL Balance Sheet variance 30th April 2019 to 31st May 2019;
- OICL – Monthly Water Allocations - M1 and Packsaddle - May 2018, and monthly from February to May 2019;
- OICL – Staff Training Plan;
- OICL Financial Pack for May 2019;

- OICL – Irrigation Channels, Associated Structures and on-farm structures - Fifth Edition - Current Issue January 2020;
- OICL - Operations Manual;
- OICL - Profit and Loss (projected) – July 2018 to June 2019 with previous year variance;
- Ord Irrigation Asset Mutual Cooperative Limited – Budget 2019 - Profit & Loss Projected;
- Cardno letter to OICL dated 4th October 2018 - Review of Unit Rates for Asset Register valuations;
- OIAMC 20 Year Financial Forecast – including annual Asset Replacement estimate; and
- Ord Irrigation - Acquisition - Spread sheet check on the relative economics of purchasing an excavator against hiring.

2.8 Audit/Review Team Members and Hours Utilised

The Audit and Review team for this appointment was as follows:

Team Member	Hours
Cameron Palassis – Executive Director	10
Anton Prinsloo – Senior Consultant	50
Barry Robbins - Barry Robbins Engineering and Project Management	55
TOTAL	115

Table 5: Audit/Review Team Members and Hours Utilised

3 Licensee's Response to Previous Recommendations

3.1 Previous Audit: Inadequate Controls, Non-Compliances and Recommendations

Previous Audit: Inadequate Controls, Non-Compliances and Recommendations						
A. Resolved During Current Audit Period						
Recommendation Reference (no./year)	Licence Number	Obligation	Reference	Auditor's Recommendation	Date Resolved	Further Action Required (FAR) (Yes/No/Not Applicable)
Controls and Compliance Rating						
Legislative Obligation						
Details of Inadequate Controls and/or Non-Compliance						
A9/2015	<ul style="list-style-type: none"> • Obligation: 167; • Rating: A 2; • LO: Act, section 12 and WL37, Version 4 - clause 16.3; and • Details: <ul style="list-style-type: none"> ○ The licensee has submitted the data required for performance reporting purposes that is specified in Water Compliance Reporting Manual after the due date for two of the three years in the audit period. 	<ul style="list-style-type: none"> • OIC has input schedules into Loc8 to email reminders of due dates for ERA-related submissions and also has this information included in the CEO Checklist; and • Therefore, submission of regulatory information within specified timeframes is not expected to be an issue going forwards and there are no further recommendations. 	<ul style="list-style-type: none"> • Not applicable. 	<ul style="list-style-type: none"> • FAR: no; and • Details: <ul style="list-style-type: none"> ○ Paxon found the Performance Report for 2014-2015 was only submitted to the ERA on 29/09/2015. Thus, this Performance Report was submitted late to the ERA. However, as OICL submitted all the subsequent Performance Reports in time to the ERA, Paxon does not make a recommendation in this regard. 	<p>Details of Further Action Required (Including the Recommendation Reference, if Applicable)</p>	Current Reference, if Applicable

Table 6: Previous Audit: Inadequate Controls, Non-Compliances and Recommendations (Part A)

Previous Audit: Inadequate Controls, Non-Compliances and Recommendations

B. Unresolved at End of Current Audit Period

Recommendation Reference (no./year)	Licence Obligation Reference Number Controls and Compliance Rating Legislative Obligation	Auditor's Recommendation	Further Action Required (FAR) (Yes/No/Not Applicable) Details of Further Action Required (Including the Current Recommendation Reference, if Applicable)
		Details of Inadequate Controls and/or Non-Compliance	
A2/2015 and A8/2015	<ul style="list-style-type: none"> • Obligation: 11; • Rating: A 2; • LO: Act, sections 12 and 27 and WL37, Version 4 - clause 5.3; and • Details: <ul style="list-style-type: none"> ◦ The licensee has not complied with all of the obligations of the Water Services Code of Conduct (Customer Service Standards) 2013 (2013 Code of Conduct). 	<ul style="list-style-type: none"> • We recommend that the licensee addresses the recommendations A3/2015 to A7/2015. 	<ul style="list-style-type: none"> • FAR: no; and • Details: <ul style="list-style-type: none"> ◦ The Water Services Code of Conduct (Customer Service Standards) 2018 (2018 Code of Conduct), in clause 4(2) limits its application to the supply of drinking water and sewerage service. Thus, it is not applicable to the water services OICL is licensed to provide being non-potable water supply services and irrigation services. Consequently, no recommendations are made in respect of recommendations A2/2015 and A8/2015.
A3/2015	<ul style="list-style-type: none"> • Obligation: 119; • Rating: B 2; • LO: 2013 Code of Conduct, clause 21(1) and WL37, Version 4 - clause 5.3; and • Details: <ul style="list-style-type: none"> ◦ The Licensee does not accept payments by all the prescribed methods under Clause 21(1) of the Code as it does not accept payments by direct debit, Centrepay or telephone; 	<ul style="list-style-type: none"> • We are required under the audit guidelines to recommend that OIC address the observed non-compliance and provide direct debit and Centrepay options for payment from non-member customers; • We note, however, that it may be impractical for OIC to do so, given the type of business operated by the licensee and the order of magnitude of the invoices that customers pay; • The licensee has a very small customer base and the fees associated with the 	<ul style="list-style-type: none"> • FAR: no; and • Details: <ul style="list-style-type: none"> ◦ The 2018 Code of Conduct, in clause 4(2) limits its application to the supply of drinking water and sewerage service. Thus, it is not applicable to the water services OICL is licensed to provide being non-potable water supply services and irrigation services. Consequently, no recommendation is made in respect of recommendation A3/2015.

Previous Audit: Inadequate Controls, Non-Compliances and Recommendations

B. Unresolved at End of Current Audit Period

Recommendation Reference (no./year)	Licence Obligation Reference Number <u>Controls and Compliance Rating</u>	Auditor's Recommendation	Further Action Required (FAR) (Yes/No/Not Applicable) Details of Further Action Required (Including the Current Recommendation Reference, if Applicable)
		Legislative Obligation	
Details of Inadequate Controls and/or Non-Compliance			
A3/2015 (continued)	<ul style="list-style-type: none"> ○ Under the Water Services Act 2012 definition, a customer is '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'; ○ Therefore, the licensee does not have to make these payment methods available to its member customers but does to its non-member customers; and ○ As a result, the licensee is not in compliance with all of the payment method requirements included in the Code, with regard to its non-member customers. 	<p>implementation of a direct debit payments may not make this a financially viable option for the licensee. Centrepay is unlikely to be an appropriate payment method for an irrigation business; and</p> <ul style="list-style-type: none"> ● OIC notes that it will continue to monitor and determine the suitability of existing customer payment options. 	
A4/2015	<ul style="list-style-type: none"> ● Obligation: 121; ● Rating: B 2; ● LO: 2013 Code of Conduct, clause 22 and WL37, Version 4 - clause 5.3; and ● Details: 	<ul style="list-style-type: none"> ● Refer to A3/2015. 	<ul style="list-style-type: none"> ● FAR: no; and ● Details: <ul style="list-style-type: none"> ○ The 2018 Code of Conduct, in clause 4(2) limits its application to the supply of drinking water and sewerage service. Thus, it is not applicable to the water services OICL is licensed to provide being non-potable water supply

Previous Audit: Inadequate Controls, Non-Compliances and Recommendations

B. Unresolved at End of Current Audit Period

Recommendation Reference (no./year)	Licence Obligation Reference Number Controls and Compliance Rating Legislative Obligation	Auditor's Recommendation	Further Action Required (FAR) (Yes/No/Not Applicable) Details of Further Action Required (Including the Current Recommendation Reference, if Applicable)
A4/2015 (continued)	<ul style="list-style-type: none"> ○ The licensee does not accept payments by direct debit. Therefore, it does not obtain customer consent for direct debits. 		<p>services and irrigation services. Consequently, no recommendation is made in respect of recommendation A4/2015.</p>
A5/2015	<ul style="list-style-type: none"> • Obligation: 122; • Rating: B 2; • LO: 2013 Code of Conduct, clause 23(1) and WL37, Version 4 - clause 5.3; and • Details: <ul style="list-style-type: none"> ○ The licensee does not accept payment in advance from a customer on a customer's request; and ○ This option is not offered as the licensee considers that it is too difficult to manage in terms of the cash flow coming into the business. Different water ordering deliveries during the year mean that it is difficult to accurately predict the volume of water that a customer may require and the cost that this might incur. 	<ul style="list-style-type: none"> • We are required under the audit guidelines to recommend that OIC address the observed non-compliance and provide a payment in advance option for non-member customers. We note, however, that it may be impractical for OIC to do so; and • OIC notes that it will continue to monitor and determine the suitability of existing customer payment options. 	<ul style="list-style-type: none"> • FAR: no; and • Details: <ul style="list-style-type: none"> ○ The 2018 Code of Conduct, in clause 4(2) limits its application to the supply of drinking water and sewerage service. Thus, it is not applicable to the water services OICL is licensed to provide being non-potable water supply services and irrigation services. Consequently, no recommendation is made in respect of recommendation A5/2015.

Previous Audit: Inadequate Controls, Non-Compliances and Recommendations

B. Unresolved at End of Current Audit Period

Recommendation Reference (no./year)	Licence Obligation Reference Number Controls and Compliance Rating	Auditor's Recommendation	Further Action Required (FAR) (Yes/No/Not Applicable) Details of Further Action Required (Including the Current Recommendation Reference, if Applicable)
Legislative Obligation			
Details of Inadequate Controls and/or Non-Compliance			
A6/2015	<ul style="list-style-type: none"> • Obligation: 150; • Rating: B 2; • LO: 2013 Code of Conduct, clause 36(1) and WL37, Version 4 - clause 5.3; and • Details: <ul style="list-style-type: none"> ◦ The licensee does not advertise the specified services as being available to customers. The licensee considers that if they were asked to provide them by a customer, they would ensure that the request was completed and at no charge to the customer. 	<ul style="list-style-type: none"> • We recommend that the licensee looks to advertise these specific services in the next update of the Customer Service Charter. 	<ul style="list-style-type: none"> • FAR: no; and • Details: <ul style="list-style-type: none"> ◦ The 2018 Code of Conduct, in clause 4(2) limits its application to the supply of drinking water and sewerage service. Thus, it is not applicable to the water services OICL is licensed to provide being non-potable water supply services and irrigation services. Consequently, no recommendation is made in respect of recommendation A6/2015.
A7/2015	<ul style="list-style-type: none"> • Obligation: 153; • Rating: B 2; • LO: 2013 Code of Conduct, clause 37(1) and WL37, Version 4 - clause 5.3; and • Details: <ul style="list-style-type: none"> ◦ As noted above, the licensee does not advertise the services provided under clause 36 of the Code. Although it has never been asked to 	<ul style="list-style-type: none"> • As above, we recommend that the licensee advertises these services as being available in its next update of the Customer Service Charter so that customers are aware of them. 	<ul style="list-style-type: none"> • FAR: no; and • Details: <ul style="list-style-type: none"> ◦ The 2018 Code of Conduct, in clause 4(2) limits its application to the supply of drinking water and sewerage service. Thus, it is not applicable to the water services OICL is licensed to provide being non-potable water supply services and irrigation services. Consequently, no recommendation is made in respect of recommendation A7/2015.

Previous Audit: Inadequate Controls, Non-Compliances and Recommendations

B. Unresolved at End of Current Audit Period

Recommendation Reference (no./year)	Licence Obligation Reference Number Controls and Compliance Rating Legislative Obligation	Auditor's Recommendation	Further Action Required (FAR) (Yes/No/Not Applicable) Details of Further Action Required (Including the Current Recommendation Reference, if Applicable)
A7/2015 (continued)	provide the services, we consider that this is a minor non-compliance.		
A10/2015	<ul style="list-style-type: none"> • Obligation: 12; • Rating: B 2; • LO: Act, section 29 and WL37, Version 4 - clause 26; and • Details: <ul style="list-style-type: none"> ◦ The licensee has not complied with all the duties imposed on it by the Act as it was unable to meet all Code requirements. 	<ul style="list-style-type: none"> • Refer to recommendation A2/2015. 	<ul style="list-style-type: none"> • FAR: no; and • Details: <ul style="list-style-type: none"> ◦ The 2018 Code of Conduct, in clause 4(2) limits its application to the supply of drinking water and sewerage service. Thus, it is not applicable to the water services OICL is licensed to provide being non-potable water supply services and irrigation services. Consequently, no recommendation is made in respect of recommendation A10/2015.
A1/2015	<ul style="list-style-type: none"> • Obligation: 156; • Rating: A 2; • LO: Act, section 12 and WL37, Version 4 - clause 5.1; and • Details: <ul style="list-style-type: none"> ◦ The licensee has not complied with all applicable legislation; and ◦ We have identified a number of non-compliances with applicable legislation as follows: 	<ul style="list-style-type: none"> • Refer to the relevant recommendations included in this table. 	<ul style="list-style-type: none"> • FAR: no; and • Details: <ul style="list-style-type: none"> ◦ Paxon found that recommendations A2/2015 to A8/2015 and A10/2015, as included in this Table relate to the Water Services Code of Conduct (Customer Service Standards) 2013; ◦ The Water Services Code of Conduct (Customer Service Standards) 2018 (2018 Code of Conduct), in clause 4(2) limits its application to the supply of drinking water and sewerage service. Thus, it is not applicable to the water services OICL is licensed to provide being non-potable water supply

Previous Audit: Inadequate Controls, Non-Compliances and Recommendations

B. Unresolved at End of Current Audit Period

Recommendation Reference (no./year)	Licence Number	Obligation	Reference	Auditor's Recommendation	Further Action Required (FAR) (Yes/No/Not Applicable)	Details of Further Action Required (Including the Current Recommendation Reference, if Applicable)
		Controls and Compliance Rating				
		Legislative Obligation				
		Details of Inadequate Controls and/or Non-Compliance				
A1/2015 (continued)				<ul style="list-style-type: none"> • Section 27 – Requirements for Licences (Obligation 11); and • Section 29 – Duties of the Licensee (Obligation 12). 	<p>services and irrigation services. Consequently, no recommendations are made in respect of recommendations A2/2015 to A8/2015 and A10/2015; and</p> <ul style="list-style-type: none"> ○ Recommendation A9/2015 was resolved during the Audit Period. 	

Table 6: Previous Audit: Inadequate Controls, Non-Compliances and Recommendations (Part B)

3.2 Previous Review: Deficiencies and Recommendations

Previous Review: Deficiencies and Recommendations				
A. Resolved During Current Review Period				
Recommendation Reference (no./year)	Rating	Reviewer's Recommendation	Date Resolved	Further Action Required (Yes/No/Not Applicable)
	Asset Management Process and Effectiveness Criterion			Details of Further Action Required (Including Current Recommendation Reference, if Applicable)
Details of Deficiency				

There are no contents in Part A.

Table 7: Previous Review: Deficiencies and Recommendations (Part A)

Previous Review: Deficiencies and Recommendations

B. Unresolved at End of Current Review Period

Recommendation Reference (no./year)	Rating Asset Management Effectiveness Criterion	Reviewer's Recommendation Process and	Further Action Required (Yes/No/Not Applicable)
			Details of Deficiency
R1/2015	<ul style="list-style-type: none"> • Rating: A 2; • Component: Asset Operations; and • Details: <ul style="list-style-type: none"> ○ Condition information is being input into Loc8, but this is an ongoing process. Asset condition information is available in the OICL's previous asset information system, Greenbase, but this data was not able to be imported into Loc8. OICL maintains the data that was in the Greenbase system but generally does not use it. 	<ul style="list-style-type: none"> • We recommend that OICL looks to record the asset condition information during the next annual inspection in 2016 and looks to input this data into Loc8; and • Although OICL has good knowledge relating to its assets and their condition, having a full set of asset condition information in its asset management system would enhance the prioritisation for remedial work and renewals for the capital expenditure program. 	<ul style="list-style-type: none"> • This deficiency has only been partly resolved. However, based on the allocated rating of "A 2", no further action is required.

Table 7: Previous Review: Deficiencies and Recommendations (Part B)

4 Operational Audit: Comprehensive Report

4.1 Audit: Controls and Compliance Rating Scales

The controls and compliance ratings allocated to each obligation are set out in Table 6 – taken from the ERA's document entitled: "2019 Audit and Review Guidelines - Water Licences – March 2019" (ERA's Guidelines, Table 6).

Audit : Controls and Compliance Rating Scales			
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 effect on customers or third parties
C	Inadequate controls – significant improvement required	3	Non-compliant – moderate effect on customers or third parties
D	No controls evident	4	Non-compliant – major effect on customers or third parties
NP	Not performed – a controls rating was not required	NR	Not rated - no activity took place 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 8: Audit: Controls and Compliance Rating Scales

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

- Controls rating: "NA"; and
- Compliance rating: "NA".

4.2 Audit: Obligation Ratings Summary

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 Rating: (1 = High to 5 = Low)	Controls Rating		Compliance Rating											
	Water Services Act 2012	Water Services Licence – Version 6			(Refer to the 6-point rating scale in Table 8 for details)	(Refer to the 6-point rating scale in Table 8 for details)	A	B	C	D	NP	NA	1	2	3	4	NR	NA
	Section Number	Clause Number																
2	21(1)(b)	3.3.1(b)	Provide services and do works	2				✓						✓				
3	21(1)(c)	3.1.1 & 3.5		2		✓								✓				
4	22	3.4.1	Provide water services outside operating areas	2		✓												✓
5	23	3.5	Manage of water service works	4		✓								✓				
6	24(1)(a) & 24(2)	4.1.1		2		✓								✓				
7	24(1)(b)	4.1.2 & 4.1.1	Asset management system	4					✓					✓				
8	24(1)(c)	4.1.3		4		✓								✓				
9	25	4.3.1	Provide an operational audit	4		✓								✓				
11	27	3.1.1	Comply with code of conduct made by ERA	4			✓											✓
12	29	3.1.1	Comply with the Act	4			✓											✓
13	36	3.1.1	Perform duties on ceasing to provide a water service	2		✓								✓				
14	60	5.6.1	Perform functions of supplier of last resort	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 – May 2018”.																	

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 Rating: (1 = High to 5 = Low)	Controls Rating						Compliance Rating					
	Water Services Act 2012	Water Services Licence – Version 6			(Refer to the 6-point rating scale in Table 8 for details)						(Refer to the 6-point rating scale in Table 8 for details)					
	Section Number	Clause Number			A	B	C	D	NP	NA	1	2	3	4	NR	NA
15	66	5.5.1	Comply with Water Services Ombudsman Scheme	4	✓						✓					
16	77(3)	3.1.1	Minimise water services interruption	2	✓						✓					
17	82(4) & (5)	3.1.1	Respond to notification of building works	4				✓							✓	
18	84(2)	3.1.1	Give notice of intention to commence works	4			✓								✓	
19	87(2)	3.1.1	Defer works on application to State Administrative Tribunal	4				✓							✓	
20	90(7)	3.1.1	Consult with landowner	4	✓										✓	
21	95(3)	3.1.1	Refrain from cutting off water supply to occupied dwelling	2							✓				✓	
22	96(1)	3.1.1	Install fire hydrants	2	✓										✓	
23	96(5)	3.1.1	Comply with FESA of local government request	4	✓										✓	
28	119(2)	3.1.1	Include specified information in compliance notice	4	✓						✓					
29	122(2)	3.1.1	Refrain from acting on application to State Administrative Tribunal	4	✓										✓	
30	125(2)	3.1.1	Apportion fees discretion	4							✓				✓	
31	128(4)	3.1.1	Lodge withdrawal of memorial with Registrar	4	✓										✓	
32	129(5)	3.1.1	Notify occupants of a place of proposed entry	4	✓										✓	

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 Rating: (1 = High to 5 = Low)	Controls Rating		Compliance Rating										
	Water Services Act 2012	Water Services Licence – Version 6			(Refer to the 6-point rating scale in Table 8 for details)	(Refer to the 6-point rating scale in Table 8 for details)	A	B	C	D	NP	NA	1	2	3	4	NR
	Section Number	Clause Number															
33	139(3)	3.1.1	Notify before exercising a works power	4	✓												✓
34	141(1)	3.1.1	Notify public authority managing a road	4	✓												✓
35	142	3.1.1	Comply with Act in case of proposed major works	4	✓												✓
36	143 (2)	3.1.1	Publicise major works	4	✓												✓
37	143 (3)	3.1.1	Notify specified persons and agencies of proposed major works	4	✓												✓
38	144(3)	3.1.1	Have regard to objections and submissions	4	✓												✓
39	145(2)	3.1.1	Give written notice of alterations to plans or details	4	✓												✓
40	147(3)	3.1.1	Comply with Minister’s direction as to major works	4	✓												✓
41	147(4)	3.1.1	Resubmit major works proposal	4	✓												✓
42	151(1)	3.1.1	Publicise proposed general works	4	✓												✓
43	151(2)	3.1.1	Notify specified persons and agencies of general works	4	✓												✓
44	152(3)	3.1.1	Have regard to objections and submissions	4	✓												✓
45	153(3)	3.1.1	Give written notice of alterations to plans or details	4	✓												✓
46	166(5)	3.1.1	Acquire an interest in land	4	✓												✓

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 Rating: (1 = High to 5 = Low)	Controls Rating						Compliance Rating					
	Water Services Act 2012	Water Services Licence – Version 6			A	B	C	D	NP	NA	1	2	3	4	NR	NA
	Section Number	Clause Number														
47	166(6)	3.1.1	Pay costs for acquiring land	4	✓										✓	
48	170	3.1.1	Refrain from selling an interest in land	4	✓										✓	
49	173(4)	3.1.1	Notify owner or occupier of a place of proposed entry	4	✓										✓	
50	174(1)	3.1.1	Give written notice of proposed entry	4	✓										✓	
51	174(3)	3.1.1	Give notice of entry to occupier when practicable	4	✓										✓	
52	175(2)	3.1.1	Perform prescribed actions prior to entry of premises	4							✓				✓	
53	175(5)	3.1.1	Leave notice or warrant copy in prominent position in dwelling	4							✓				✓	
54	176(1)	3.1.1	Leave premises at request of owner or occupier	4	✓										✓	
55	176(3)	3.1.1	Produce a certificate of authority	4	✓										✓	
56	176(4)	3.1.1	Leave a place if no evidence of authority to enter can be presented on request	4	✓										✓	
57	181	3.1.1	Comply with reasonable request from owner or occupier	4	✓										✓	
58	186	3.1.1	Include prescribed information in a warrant application	4	✓										✓	
59	187(1) – (3)	3.1.1	Make entry warrant application as per specified procedures	4	✓										✓	

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 Rating: (1 = High to 5 = Low)	Controls Rating		Compliance Rating										
	Water Services Act 2012	Water Services Licence – Version 6			(Refer to the 6-point rating scale in Table 8 for details)	(Refer to the 6-point rating scale in Table 8 for details)	A	B	C	D	NP	NA	1	2	3	4	NR
	Section Number	Clause Number															
60	190(4)	3.1.1	Produce warrant for inspection by occupier of a place	4	✓												✓
61	190(5)	3.1.1	Record prescribed information on warrant	4	✓												✓
62	210(5)	3.1.1	Give certificate of authority to designated inspector or compliance officer	4	✓												✓
63	218(2)	3.1.1	Maintain free use of a place and limit damage, harm or inconvenience	4	✓												✓
64	218(3)	3.1.1	Make good damage or pay compensation	4	✓												✓

Table 9: Audit: Obligation Ratings Summary

[Obligations as per the ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – May 2018" (Numbers 2 to 64)]

No.	Obligation Under:		Abbreviated Description of Obligation (See the Sources Quoted Below the Heading: “Obligation Under” for the Exact Wording of the Obligation)	Audit Priority Rating: (1 = High to 5 = Low)	Controls Rating						Compliance Rating					
	Water Services Regulations 2013	Water Services Licence – Version 6			(Refer to the 6-point rating scale in Table 8 for details)						(Refer to the 6-point rating scale in Table 8 for details)					
	Regulation Number	Clause Number			A	B	C	D	NP	NA	1	2	3	4	NR	NA
65	23(2)	3.1.1	Assess meter for measuring water flow or quantity	4							✓				✓	
66	24(4)	3.1.1	Specified information - compliance notice: meter access	4							✓				✓	
67	26(3)	3.1.1	Test meter as per approved procedure	4							✓				✓	
68	26(5)	3.1.1	Meter is outside prescribed tolerance	4							✓				✓	
69	29(1)	3.1.1	Defer payment of infrastructure contribution on request	4							✓				✓	
70	42(2)	3.1.1	Stipulate date for backflow prevention device installation and testing	4							✓				✓	
71	43(3)	3.1.1	Date - backflow prevention device testing/maintenance	4							✓				✓	
72	43(6)	3.1.1	Stipulate actions for making good backflow prevention device	4							✓				✓	
73	53(3)	5.1	Plan of existing drainage plumbing for a building (Version 4 of WL 37)	4							✓				✓	
74	60(2)	3.1.1	Give notice of altering position of infrastructure in roads	4	✓										✓	
75	63	3.1.1	Reinstate or make good road surface opened or broken up	4	✓										✓	
89	85	3.1.1	Include stipulated information in compliance notices	4	✓										✓	

Table 9: Audit: Obligation Ratings Summary

[Obligations as per the ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – May 2018" (Numbers 65 to 89)]

No.	Obligation Under:		Abbreviated Description of Obligation (See the Sources Quoted Below the Heading: “Obligation Under” for the Exact Wording of the Obligation)	Audit Priority Rating: (1 = High to 5 = Low)	Controls Rating		Compliance Rating								
	Water Services Code of Conduct (Customer Service Standards) 2013	Water Services Licence – Version 6			A	B	C	D	NP	NA	1	2	3	4	NR
Clause Number	Clause Number	Clause Number	Clause Number	Clause Number	Clause Number	Clause Number	Clause Number	Clause Number	Clause Number	Clause Number	Clause Number	Clause Number	Clause Number	Clause Number	Clause Number
102	12(3)	5.3	Bill to include specified information	4				✓						✓	
111	17(1)	5.3	Overcharging a customer	4	✓									✓	
112	17(2)	5.3	Refund or credit the customer's account	4	✓									✓	
124	25	5.3	Customers assessed as experiencing payment difficulties	4	✓									✓	
126	26(3)	5.3	Financial hardship policy target date	4	✓									✓	
129	26(6)	5.3	Review of financial hardship policy	4	✓									✓	
130	27(2)	5.3	Financial hardship – more time to pay bills or arrears	4	✓									✓	
131	27(3)	5.3	Consider reducing the amount owed and other obligations	4	✓									✓	
132	28(1)	5.3	Ensure owner is aware of proposed payment plan	4	✓									✓	
137	31	5.3	Inform of intention - reduce the rate of flow of drinking water	4									✓		✓
148	35(4)	5.3	Alternative complaints procedures	4	✓									✓	
151	36(1)	5.3	Provide customer with specified services for free on request	4	✓									✓	

Table 9: Audit: Obligation Ratings Summary

[Obligations as per the ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – May 2018" (Numbers 102 to 151)]

No.	Obligation Under:		(See the Sources Quoted Below the Heading: "Obligation Under" for the Exact Wording of the Obligation)	Audit Priority Rating: (1 = High to 5 = Low)	Controls Rating						Compliance Rating					
	Water Services Act 2012	Water Services Licence – Version 6			(Refer to the 6-point rating scale in Table 8 for details)						(Refer to the 6-point rating scale in Table 8 for details)					
	Section Number	Clause Number			A	B	C	D	NP	NA	1	2	3	4	NR	NA
155	12	3.2.1	Pay fees and charges	4	✓							✓				
156	12	3.1.1	Comply with applicable legislation	4	✓								✓			
157	12	5.2	Comply with code of practice made by Minister (Version 4 of WL 37)	4							✓					✓
158	12	5.3	Comply with code of conduct made by ERA (Version 4 of WL 37)	4		✓								✓		
159	12	3.1.2	Comply with ERA direction	4	✓											✓
160	12	3.6.1	Maintain accounting records	4	✓							✓				
161	12	4.2.1	Comply with individual performance standards	2	✓									✓		
162	12	4.3.4	Comply with operational audit responsibilities	4	✓							✓				
163	12	3.7.1(a), (b), (c)	Report specific situations to the ERA	2	✓											✓
164	12	15.1 (d)	ERA reporting – major or general works (Version 4 of licence)	4	✓											✓
165	12	3.8.1	Provide specified information to the ERA	2	✓											✓
166	12	3.8.2	Comply with ERA prescribed information reporting requirements	2	✓									✓		
167	12	3.8.3	Provide performance reporting data to the ERA	2		✓										✓

No.	Obligation Under:		Abbreviated Description of Obligation (See the Sources Quoted Below the Heading: "Obligation Under" for the Exact Wording of the Obligation)	Audit Priority Rating: (1 = High to 5 = Low)	Controls Rating		Compliance Rating								
	Water Services Act 2012	Water Services Licence – Version 6			A	B	C	D	NP	NA	1	2	3	4	
	Section Number	Clause Number												NR	NA
168	12	2.8.1 and 2.8.2	Publish information as specified by the ERA	4	✓									✓	
169	12	2.7.1	Give all notices in writing	4					✓		✓				
170	12	20.1	Notify ERA of asset management system (Version 4 of WL 37)	4			✓				✓				
171	12	4.1.2	Notify ERA of material asset management system changes	2			✓				✓				
172	12	4.1.6	Comply with asset management system review responsibilities	4	✓						✓				
173	12	5.5.1	Supply water only if a member of the water services ombudsman scheme	4	✓						✓				
174	12	22.1	Supply water services as per schedule 4 of licence (Version 4 of WL 37)	4				✓				✓			✓
175	12	5.1.1	Submit a draft customer contract for approval	4	✓									✓	
176	12	5.1.2	Comply with Customer Contract Guidelines	4							✓				✓
177	12	5.1.3	Amend customer contract only with ERA's approval	4	✓										✓
178	12	5.1.5	Comply with ERA direction to amend customer contract	4	✓										✓
179	12	5.3.1 and 5.3.2	Obtain ERA approval to vary customer agreement	4	✓										✓
180	12	5.3.4	Publish annual report containing specified information	4	✓										✓

No.	Obligation Under:		Abbreviated Description of Obligation (See the Sources Quoted Below the Heading: "Obligation Under" for the Exact Wording of the Obligation)	Audit Priority Rating: (1 = High to 5 = Low)	Controls Rating		Compliance Rating								
	Water Services Act 2012	Water Services Licence – Version 6			A	B	C	D	NP	NA	1	2	3	4	
	Section Number	Clause Number												NR	NA
181	12	5.6.1	Comply with Act if supplier of last resort	4							✓			✓	
182	12	3.4.1(b)	Apply for licence amendment if providing water services outside operating area	4	✓									✓	
183	12	5.4.3	Comply with ERA's Financial Hardship Policy Guidelines	4							✓			✓	
190	12	Schedule 2	Comply with service and performance standards	2	✓									✓	

Table 9: Audit: Obligation Ratings Summary

[Obligations as per the ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – May 2018" (Numbers 155 to 190)]

4.3 Audit Observations and Recommendations

No. ²	Obligation Under:		Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)		
	Water Services Act 2012	Water Services Licence – Version 6			Controls	Compliance	
2	21(1)(b)	3.3.1(b)	If requested to provide a water service authorised by the licence to a person not covered by section 21(1)(a) but within the operating area of the licence, the licensee must offer to provide the service on reasonable terms, unless provision of the service is not financially viable or is otherwise not practicable.	2	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, one person not entitled to a water service, but within the operating area of OICL's licence was provided with such a service; Paxon was informed a verbal agreement was entered with this person. Thus, Paxon could not assess the reasonableness of the terms provided to this person; Paxon examined OICL's "<i>Legal and Compliance Register</i>" (Compliance Register). This Compliance Register includes separate specific work sheets for OICL's: <ul style="list-style-type: none"> o Water Services Licence, WL37 (WL37); o Act and Water Services Regulations 2013; and o Water Services Code of Conduct (Customer Service Standards) 2013 (2013 Code of Conduct). 	C	1

² The "No." refers to the compliance obligation reference number, as per the ERA's document entitled: "*Water Compliance Reporting Manual – Water Services Act 2012 – May 2018*" and the ERA's document entitled: "*Water Compliance Reporting Manual – Water Services Act 2012 – October 2017*" (for obligations within the range 102 to 151).

No. ²	Obligation Under:	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)
	Water Services Act 2012	Water Services Licence – Version 6			Controls Compliance
	Section Number	Clause Number			
2 (cont.)				<ul style="list-style-type: none"> • Paxon found these work sheets record the following information: <ul style="list-style-type: none"> ○ Legislative instrument; ○ Section/regulation/clause reference number; ○ Description of the obligation; and ○ Controls information which provides for recording: <ul style="list-style-type: none"> • Action taken to meet the obligation; • Due date; • Frequency; and • Supporting documentation. • Paxon examined the Compliance Register and found the work sheet entitled: "ERA Licence": <ul style="list-style-type: none"> ○ Refers to obligations in terms of WL37, Version 4 and not WL37, Version 6; and ○ Does not record references to the relevant sections of the Act. • Paxon examined the Compliance Register and found the work sheet entitled: "Water Services Code of Conduct" refers to obligations in terms of the 2013 Code of Conduct. However, the Water Services Code of Conduct (Customer Service Standards) 2018, in clause 4(2) limits its application to the supply of drinking water and 	

No. ²	Obligation Under:	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)
	Water Services Act 2012	Water Services Licence – Version 6			Controls Compliance
	Section Number	Clause Number			
2 (cont.)				<p>sewerage service. Thus, it is not applicable to the water services OICL is licensed to provide being non-potable water supply services and irrigation services; and</p> <ul style="list-style-type: none"> Paxon found OICL's Compliance Register records the obligation similar to section 21(1)(b) of the Act. <p>Recommendation 1/2019:</p> <ul style="list-style-type: none"> OICL should update its Compliance Register to ensure it is accurate and complete. Specifically, OICL should: <ul style="list-style-type: none"> Ensure descriptions of obligations ("Licence Conditions") represent the wording of current legislative instruments; and Ensure references are recorded for: <ul style="list-style-type: none"> Sections of the Act; or Regulations in the Water Services Regulations 2013. <p>These references should then be matched with relevant clauses in WL37, Version 6 which should also be recorded (as illustrated within this Table).</p> <p>Recommendation 2/2019:</p> <ul style="list-style-type: none"> OICL should update its Compliance Register to exclude the work sheet entitled: "Water Services Code of Conduct" as this code is not applicable to 	

No. ² Obligation Under: Summary Description of Obligation			Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)	
Water Services Act 2012	Water Services Licence – Version 6	Section Number	Clause Number			Controls	Compliance
2 (cont.)					the non-potable water supply services and irrigation services which OICL is licensed to supply.		
3	21(1)(c)	3.1.1 and 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"> The provision, operation and maintenance of water service works during the Audit Period are covered in comprehensive detail in the Review section of this Report. The reviewer rated OICL's asset management system across 12 asset management system processes, as referred to in the Review section of this Report. The Reviewer has stated: <p><i>This review concludes that OICL operates all areas of its non-potable water distribution (irrigation) system in a professional and competent manner.</i></p> <p>A summary of his findings is included in Table 2 above.</p>	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 license.	2	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, it did not provide a water service outside of the operating area of the license; and Paxon found OICL's Compliance Register records this obligation similar to section 22 of the Act. 	A	NR

No. ²	Obligation Under:	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)	
				Section Number	Clause Number	Controls	Compliance
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.	4		<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, the water service works used in the provision of water services were covered by a works holding arrangement; Paxon examined an agreement between Ord Irrigation Asset Mutual Cooperative Limited (OIAMC) and OICL (OIC) which states: <p style="padding-left: 20px;"><i>"OIAMC and OIC desire to enter into an agreement whereby OIC manages and maintains OIAMC's irrigation assets, which compromise the Ord Irrigation system..."</i></p> Paxon examined an "<i>Ord Irrigation – Asset Management Agreement</i>" entered between the Water Corporation and OICL which provides for OICL to "<i>manage, utilise and operate the Assets</i>" (Water Corporation's assets as referred to in the agreement); and Paxon found OICL's Compliance Register records this obligation similar to section 23 of the Act. 	A	1
6	24(1)(a) & 24(2)	4.1.1 The licensee must have an asset management system that provides for the operation and maintenance of the water service works.	2		<ul style="list-style-type: none"> See the findings for compliance obligation number 3 above. 	A	1

No. ²	Obligation Under:	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)	
				Section Number	Clause Number	Controls	Compliance
7	24(1)(b)	4.1.1 and 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"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, one change took place to the asset management system of which the ERA was appropriately informed; Paxon examined an OICL letter addressed to the ERA, dated 10/04/2019 which refers to a replacement of the "Loc8 – "ArcGIS system" by a "hosted online asset management system with incorporated GIS management"; and Paxon did not find any references to compliance with section 24(1)(b) of the Act within the Compliance Register. A recommendation (1/2019) was made regarding ensuring the completeness of the Compliance Register (see compliance obligation number 2 above). 	D	1
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.	4	<ul style="list-style-type: none"> Cardno performed an "Asset Management System Review" of OICL for the period 1/06/2012 to 31/05/2015; Paxon was appointed by the ERA to conduct an asset management system review of OICL for the period 1/6/2015 to 31/05/2019; and Paxon found OICL's Compliance Register records this obligation similar to section 24(1)(c) of the Act. 	A	1

No. ²	Obligation Under:	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)	
				Section Number	Clause Number	Controls	Compliance
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 conducted by an independent expert appointed by the ERA.	4		<ul style="list-style-type: none"> Cardno performed an “Operational Audit” of OICL for the period 1/06/2012 to 31/05/2015; Paxon was appointed by the ERA to conduct an operational audit of OICL for the period 1/6/2015 to 31/05/2019; and Paxon found OICL’s Compliance Register records this obligation similar to section 25 of the Act. 	A	1
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"> OICL’s compliance with relevant obligations in terms of the 2013 Code of Conduct, during the period 06/2015 to 04/2018, is specifically addressed in this Report (see reference number within the range 102 to 151 below in which both controls and compliance are rated). 	B	4
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"> OICL’s compliance with the Act during the Audit period is specifically addressed in this Report (see reference numbers 2 to 64 and 155 to 190 below in which both controls and compliance are rated. Appropriate recommendations were made for individual obligations. 	B	3
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"> Paxon confirmed by interview of OICL’s General Manager that, during the Audit Period, OICL ceased to provide water services on expiry of membership entitlements thereto. The OICL’s General Manager stated such water service 	A	1

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Water Services Act 2012	Water Services Licence – Version 6	Section Number	Clause Number			Controls	Compliance
13 (cont.)					works were left in a safe condition, and no part thereof was removed; and		
					<ul style="list-style-type: none"> Paxon found OICL's Compliance Register records this obligation similar to section 36 of the Act. 		
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.	2	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL was not a supplier of last resort. 	NA	NA
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.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL was a member of the water services ombudsman scheme and did comply with directions of the water services ombudsman under the scheme; and Paxon found OICL's Compliance Register records this obligation similar to section 66 of the Act. 	A	1
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.	2	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, interruption of water services it was responsible for took place. The OICL's General Manager stated it was standard practice, during the Audit 	A	1

No. ²	Obligation Under:	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)	
				Section Number	Clause Number	Controls	Compliance
16 (cont.)					Period, to immediately attend to interruptions of water services;		
					<ul style="list-style-type: none"> Paxon examined OICL's "<i>Complaints Log</i>" and found no entries which related to complaints made in respect of the interruption of water services during the Audit Period; and Paxon found OICL's Compliance Register records this obligation similar to section 77(3) of the Act. 		
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 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.	4		<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL did not receive notification of any building works to be carried out on land in the operating area of its licence; and Paxon did not find any reference to compliance with sections 82(4) & (5) of the Act within OICL's Compliance Register. A recommendation (1/2019) was made regarding ensuring the completeness of the Compliance Register (see compliance obligation number 2 above). 	D	NR
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	4		<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL was not obligated to give a person 21 days' notice of its intention to commence works; and 	D	NR

No. ² Obligation Under: Summary Description of Obligation			Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)		
Water Services Act 2012	Water Services Licence – Version 6	Section Number	Clause Number			Controls	Compliance	
18 (cont.)				licensee must give the person 21 days' notice of its intention to commence the works.	<ul style="list-style-type: none"> Paxon did not find any reference to compliance with section 84(2) of the Act within OICL's Compliance Register. A recommendation (1/2019) was made regarding ensuring the completeness of the Compliance Register (see compliance obligation number 2 above). 			
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.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that he has no knowledge of any applications made to the State Administrative Tribunal during the Audit Period; and Paxon regards application of section 87(2) of the Act to OICL's operations will be a rare event. Thus, specific controls are only expected to be put in place when the stipulations of this clause are applicable. 	NP	NR
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.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL did not give a compliance notice to a person who was undertaking construction or carrying out similar works in the vicinity of water service works; and Paxon found OICL's Compliance Register records this obligation similar to section 90(7) of the Act. 	A	NR

No. ²	Obligation Under:	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)	
				Section Number	Clause Number	Controls	Compliance
21	Water Services Act 2012	Water Services Licence – Version 6					
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.	2		<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL did not provide any water services to occupied dwellings. Thus, this obligation was not applicable to OICL's operations 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.	2		<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, neither FESA nor a local government required OICL to install fire hydrants; and Paxon found OICL's Compliance Register records this obligation similar to section 96(1) of the Act. 	A	NR
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.	4		<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, neither FESA nor a local government made a request of OICL under sections 96(3) and 96(4) of the Act; and Paxon found OICL's Compliance Register records this obligation similar to section 96(5) of the Act. 	A	NR
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).	4		<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL issued two compliance notices in relation to the matters set out in section 119(1) of the Act; 	A	1

No. ²	Obligation Under:	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)		
	Water Services Act 2012	Water Services Licence – Version 6			Controls Compliance		
	Section Number	Clause Number					
28 (cont.)				<ul style="list-style-type: none"> Paxon examined both compliance notices and found both notices specified: <ul style="list-style-type: none"> Instances of non-compliance with section 112(1) of the Act; Action(s) the persons given the notices had to take to remedy the failure to comply; and Date(s) by which the persons given the notice had to comply with the notices. Paxon found OICL's Compliance Register records this obligation similar to section 119(2) of the Act. 			
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.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that he has no knowledge of any applications made to the State Administrative Tribunal during the Audit Period; and Paxon found OICL's Compliance Register records this obligation similar to section 122(2) of the Act. 	A	NR
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> .	4	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL did not provide any water services to occupied dwellings. Thus, this obligation was not applicable to OICL's operations during the Audit Period. 	NA	NA

No. ²	Obligation Under:	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)	
				Section Number	Clause Number	Controls	Compliance
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.	4		<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL did not lodge withdrawals of memorials with the Registrar; and Paxon found OICL's Compliance Register records this obligation similar to section 128(4) of the Act. 	A	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.	4		<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that all water service works used in the provision of water services during the Audit Period, were located on OICL property. Thus, OICL was not under obligation to give 48 hours' notice of proposed entry to occupiers of places; and Notwithstanding, Paxon found OICL's Compliance Register records this obligation similar to section 129(5) of the Act. 	A	NR
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.	4		<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL did not remove or erect a fence or gate whilst exercising a works power conferred by the Act; and Paxon found OICL's Compliance Register records this obligation similar to section 139(3) of the Act. 	A	NR

No. ²	Obligation Under:	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)	
				Water Services Act 2012	Water Services Licence – Version 6	Controls	Compliance
				Section Number	Clause Number		
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.	4		<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL did not carry out road works; and Paxon found OICL's Compliance Register records this obligation similar to section 141(1) of the Act. 	A	NR
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.	4		<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL did not undertake any major works as described in the Act; and Paxon found OICL's Compliance Register records these obligations similar to sections 142, 143(2), 143(3), 144(3), 145(2), 147(3) and 147(4) of the Act. 	A	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.	4		<ul style="list-style-type: none"> See the findings for compliance obligation number 35 above. 	A	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.	4		<ul style="list-style-type: none"> See the findings for compliance obligation number 35 above. 	A	NR
38	144(3)	3.1.1 The licensee must have regard to an objection or submission lodged within the relevant period.	4		<ul style="list-style-type: none"> See the findings for compliance obligation number 35 above. 	A	NR

No. ²	Obligation Under:	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)	
				Section Number	Clause Number	Controls	Compliance
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.	4		<ul style="list-style-type: none"> • See the findings for compliance obligation number 35 above. 	A	NR
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).	4		<ul style="list-style-type: none"> • See the findings for compliance obligation number 35 above. 	A	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.	4		<ul style="list-style-type: none"> • See the findings for compliance obligation number 35 above. 	A	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.	4		<ul style="list-style-type: none"> • Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL did not undertake any general works as described in the Act; and • Paxon found OICL's Compliance Register records these obligations similar to sections 151(1), 151(2), 152(3) and 153(3) of the Act. 	A	NR
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.	4		<ul style="list-style-type: none"> • See the findings for compliance obligation number 42 above. 	A	NR

No. ²	Obligation Under:	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)	
				Section Number	Clause Number	Controls	Compliance
44	Water Services Act 2012	Water Services Licence – Version 6					
44	152(3)	3.1.1	4	The licensee must have regard to an objection or submission lodged by the date specified in the notice given under section 151(2).	• See the findings for compliance obligation number 42 above.	A	NR
45	153(3)	3.1.1	4	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 who is likely to be adversely affected by those alterations.	• See the findings for compliance obligation number 42 above.	A	NR
46	166(5)	3.1.1	4	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.	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, the Minister did not advise OICL that an interest in land was appropriate to its needs; and Paxon found OICL's Compliance Register records these obligations similar to sections 166(5) and 166(6) of the Act. 	A	NR
47	166(6)	3.1.1	4	Any costs incurred in taking an interest in land are to be paid by the licensee.	• See the findings for compliance obligation number 46 above.	A	NR
48	170	3.1.1	4	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 <i>Planning and Development Act 2005</i> , unless the Minister permits the licensee to do so.	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL did not sell an interest in land; and Paxon found OICL's Compliance Register records this obligation similar to section 170 of the Act. 	A	NR

No. ²	Obligation Under:	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)	
				Section Number	Clause Number	Controls	Compliance
49	Water Services Act 2012	Water Services Licence – Version 6					
49	173(4)	3.1.1	4	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.	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that all water service works used in the provision of water services during the Audit Period, were located on OICL property. Thus, OICL was not under obligation to give 48 hours' notice of proposed entry to a place to the occupier or owner; and Notwithstanding, Paxon found OICL's Compliance Register records these obligations similar to sections 173(4), 174(1), 174(3), 175(2), 175(5), 176(1), 176(4) and 181 of the Act. 	A	NR
50	174(1)	3.1.1	4	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.	<ul style="list-style-type: none"> See the findings for compliance obligation number 49 above. 	A	NR
51	174(3)	3.1.1	4	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.	<ul style="list-style-type: none"> See the findings for compliance obligation number 49 above. 	A	NR
52	175(2)	3.1.1	4	If an occupier is present when the licensee proposes to enter a dwelling, the licensee must perform the prescribed actions before entering the premises.	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL did not provide any water services to occupied dwellings. Thus, this obligation was not 	NA	NA

No. ² Obligation Under: Summary Description of Obligation			Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)	
Water Services Act 2012	Water Services Licence – Version 6	Section Number	Clause Number			Controls	Compliance
52 (cont.)				applicable to OICL's operations during the Audit Period.			
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.	4	• See the findings for compliance obligation number 52 above.	NA	NA
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.	4	• See the findings for compliance obligation number 49 above.	A	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.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL was not asked to produce a certificate of authority; and • Paxon found OICL's Compliance Register records this obligation similar to section 176(3) of the Act. 	A	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 to do so unless the owner or occupier agrees otherwise.	4	• See the findings for compliance obligation number 49 above.	A	NR

No. ²	Obligation Under:	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)	
				Section Number	Clause Number	Controls	Compliance
57	Water Services Act 2012	Water Services Licence – Version 6					
57	181	3.1.1	4	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.	<ul style="list-style-type: none"> See the findings for compliance obligation number 49 above. 	A	NR
58	186	3.1.1	4	If the licensee applies for a warrant, the application must contain the prescribed information.	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL did not apply for a warrant; and Paxon found OICL's Compliance Register records these obligations similar to sections 186, 187(1)-(3), 190(4) and 190(5) of the Act. 	A	NR
59	187(1) – (3)	3.1.1	4	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.	<ul style="list-style-type: none"> See the findings for compliance obligation number 58 above. 	A	NR
60	190(4)	3.1.1	4	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.	<ul style="list-style-type: none"> See the findings for compliance obligation number 58 above. 	A	NR
61	190(5)	3.1.1	4	On completing the execution of a warrant, the licensee must record the prescribed information on that warrant.	<ul style="list-style-type: none"> See the findings for compliance obligation number 58 above. 	A	NR

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number					
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.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL did not designate a person as an inspector or compliance officer; and Paxon found OICL's Compliance Register records this obligation similar to section 210(5) of the Act. 	A	NR
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.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that all water service works used in the provision of water services during the Audit Period, were located on OICL property. Thus, OICL did not enter a place; and Notwithstanding, Paxon found OICL's Compliance Register records this obligation similar to section 218(2) of the Act. 	A	NR
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.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL did not cause physical damage in the exercise of a works power or a power of entry; and Paxon found OICL's Compliance Register records this obligation similar to section 218(3) of the Act. 	A	NR

Table 10: Audit Observations and Recommendations

[Obligations as per the ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – May 2018" (Numbers 2 to 64)]

No.	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Regulations 2013	Water Services Licence – Version 6				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 must, on the request of the owner or the strata company, assess whether a meter is satisfactory for measuring the quantity or flow of water passing through a pipe supplying water to the unit.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL did not provide a water supply service to any dwellings. Thus, this obligation was not applicable to OICL's operations 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"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL did not give any compliance notices in respect of access to meters as meters are located on OICL's land; and Paxon regards application of regulation 24(4) of the 2013 Regulations to OICL's operations will be a rare event. Thus, specific controls are only expected to be put in place when the stipulations of this clause are applicable. 	NP	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"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL did not receive any meter test requests and thus did not test meters; and Paxon did not find any references to compliance with regulations 26(3) and 26(5) of the 2013 Regulations within OICL's Compliance Register. A recommendation 	D	NR

No.	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)	
	Water Services Regulations 2013	Water Services Licence – Version 6			Regulation Number	Clause Number	Controls	Compliance
67 (cont.)								
67								
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"> See the findings for compliance obligation number 67 above. 		D	NR
69	29(1)	3.1.1	The licensee must, on the written request of a developer who is required to pay the licensee an infrastructure contribution in respect of a subdivided lot, defer the payment of the contribution unless regulations 29(3) or 29(4) applies.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL did not receive any written requests to defer the payment of infrastructure contributions; and Paxon regards application of regulation 29(1) of the 2013 Regulations to OICL's operations will be a rare event. Thus, specific controls are only expected to be put in place when the stipulations of this clause are applicable. 		NP	NR
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).	4	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL did not issue written orders requiring the owners or occupier of land to install backflow prevention device; and Paxon did not find any reference to compliance with regulation 42(2) of the 2013 Regulations 		D	NR

No.	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Regulations 2013	Water Services Licence – Version 6				Regulation Number	Clause Number
70 (cont.)					within OICL's Compliance Register. A recommendation (1/2019) was made regarding ensuring the completeness of the Compliance Register (see compliance obligation number 2 above).		
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).	4	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL did not issue compliance notices regarding testing or maintaining backflow prevention devices; and Paxon did not find any reference to compliance with regulation 43(3) of the 2013 Regulations within OICL's Compliance Register. A recommendation (1/2019) was made regarding ensuring the completeness of the Compliance Register (see compliance obligation number 2 above). 	D	NR
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).	4	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL did not issue compliance notices regarding making backflow prevention devices good; and Paxon did not find any reference to compliance with regulation 43(6) of the 2013 Regulations within OICL's Compliance Register. A recommendation (1/2019) was made regarding 	D	NR

No.	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Regulations 2013	Water Services Licence – Version 6				Regulation Number	Clause Number
72 (cont.)					ensuring the completeness of the Compliance Register (see compliance obligation number 2 above).		
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.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, OICL operates a channel system and as such does not have plumbing in buildings. Thus, this compliance obligation was not applicable to OICL 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 make the alterations within the time specified in the notice.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL did not exercise a works power in a road; and Paxon found OICL's Compliance Register records this obligation similar to regulation 60(2) of the 2013 Regulations. 	A	NR
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.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL did not open or broke up the surface of a road; and Paxon found OICL's Compliance Register records this obligation similar to section 63 of the 2013 Regulations. 	A	NR

No.	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Regulations 2013	Water Services Licence – Version 6				Controls	Compliance
	Regulation Number	Clause Number					
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.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL issued two compliance notices in relation to the matters set out in section 119(1) of the Act; • Paxon examined both compliance notices and found both notices included: <ul style="list-style-type: none"> ○ Brief description of the possible consequences under the Act of not complying with the notice; ○ Rights of review under the Act in relation to the notices; and ○ Who may apply for review. • Paxon found OICL's Compliance Register records this obligation similar to section 85 of the 2013 Regulations. 	A	1

Table 10: Audit Observations and Recommendations

[Obligations as per the ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – May 2018" (Numbers 65 to 89)]

No.	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Code of Conduct (Customer Service Standards) 2013	Water Services Licence – Version 6				Controls	Compliance
	Clause Number	Clause Number					
102	12(3)	3.1.1	Each bill must inform the customer of the specified information and where further details can be obtained.	4	<ul style="list-style-type: none"> Paxon examined a sample of tax invoice issued to members of OICL during the period 06/2015 to 04/2018. Paxon found these tax invoices did not disclose any of the information referred to in clause 12(3) of the 2013 Code of Conduct; Paxon found the sample of tax invoices all stated: <p><i>"Customer rights and responsibilities are outlined in the OIC Customer Charger";</i></p> Paxon did not find any reference to compliance with clause 12(3) of the 2013 Code of Conduct in OICL's Compliance Register; and However, the Water Services Code of Conduct (Customer Service Standards) 2018 (2018 Code of Conduct), in clause 4(2) limits its application to the supply of drinking water and sewerage service. Thus, it is not applicable to the water services OICL is licensed to provide being non-potable water supply services and irrigation services. Consequently, Consequently, Paxon does not make a recommendation in response 	D	4

No.	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)	
	Water Services Code of Conduct (Customer Service Standards) 2013	Water Services Licence – Version 6			Clause Number	Clause Number	Controls	Compliance
102 (cont.)					to the controls rating and compliance rating allocated to this expired obligation.			
111	17(1)	3.1.1	If the licensee overcharges a customer, the licensee must credit the customer's account and must immediately afterwards notify the customer or inform the customer of the overcharging and recommended options for refunding or crediting the overcharged amount.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the period 06/2015 to 04/2018, OICL did not overcharge non-members; and Paxon found OICL's Compliance Register records these obligations similar to clauses 17(1) and 17(2) of the 2013 Code of Conduct. However, as explained above, the 2018 Code of Conduct is not applicable to the water services OICL is licensed to provide. 			
112	17(2)	3.1.1	The licensee must, in accordance with the customer's instructions, refund or credit the customer's account within 15 business days from starting on the day the licensee receives the instructions.	4	<ul style="list-style-type: none"> See the findings for compliance obligation number 111 above. 			
124	25	3.1.1	The licensee must allow a customer to pay a bill under a payment plan or other arrangement under which the customer is given more time to pay the bill or to pay arrears if the customer is	4	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the period 06/2015 to 04/2018, OICL did not assess any non-member customers as experiencing payment difficulties; and 			

No.	Obligation Under:	Summary Description of Obligation		Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)
	Water Services Code of Conduct (Customer Service Standards) 2013	Clause Number	Clause Number				Controls Compliance
124 (cont.)			assessed by the licensee as experiencing payment difficulties.		• Paxon found OICL's Compliance Register records this obligation similar to clause 25 of the 2013 Code of Conduct. However, as explained above, the 2018 Code of Conduct is not applicable to the water services OICL is licensed to provide.		
126	26(3)	3.1.1	If the licensee's licence was in place before the commencement of the Act, the licensee must have a financial hardship policy before the end of the 6-month period starting on the day on which section 27 of the Act comes into effect.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the period 06/2015 to 04/2018 OICL did not have a financial hardship policy; and Paxon found OICL's Compliance Register records these obligations similar to clauses 26(3) and 26(6) of the 2013 Code of Conduct. However, as explained above, the 2018 Code of Conduct is not applicable to the water services OICL is licensed to provide. Consequently, Paxon does not make a recommendation in response to the compliance rating allocated to this expired obligation. 	A	4

No.	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Code of Conduct (Customer Service Standards) 2013	Water Services Licence – Version 6				Controls	Compliance
	Clause Number	Clause Number					
129	26(6)	3.1.1	The licensee must review its financial hardship policy at least once in every 5-year period and, as part of the review process, consult with relevant consumer organisations.	4	<ul style="list-style-type: none"> See the findings for compliance obligation number 126 above. 	A	4
130	27(2)	3.1.1	The licensee must allow a customer experiencing financial hardship to pay a bill under an interest-free or fee-free payment plan other arrangement under which the customer is given more time to pay the bill or to pay arrears.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the period 06/2015 to 04/2018, OICL did not assess any non-member customers as experiencing financial hardship; and Paxon found OICL's Compliance Register records these obligations similar to clauses 27(2), 27(3) and 28(1) of the 2013 Code of Conduct. However, as explained above, the 2018 Code of Conduct is not applicable to the water services OICL is licensed to provide. A recommendation (2/2019) was made regarding updating OICL's Compliance Register to exclude references to the 2013 Code of Conduct. 	A	NR

No.	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Code of Conduct (Customer Service Standards) 2013	Water Services Licence – Version 6				Controls	Compliance
	Clause Number	Clause Number					
131	27(3)	3.1.1	The licensee must also consider reducing the amount owed, review and revise, if appropriate, how a customer is paying a bill under clause 27(2) and provide the specified written information to a customer.	4	<ul style="list-style-type: none"> See the findings for compliance obligation number 130 above. 	A	NR
132	28(1)	3.1.1	Before the licensee enters into a payment plan or other similar arrangement with a customer who is not the owner of the land in respect of which the water service is provided, the licensee must ensure that the owner is aware of the proposed plan or arrangement.	4	<ul style="list-style-type: none"> See the findings for compliance obligations numbers 124 and 130 above. 	A	NR
137	31	3.1.1	The licensee must not, under section 95(1)(b) of the Act, reduce the rate of flow of drinking water to a customer without having first used its best endeavours to inform the customer in person of its intention to do so if the amount owing is not paid.	4	<ul style="list-style-type: none"> OICL is licensed to provide non-potable water supply services and irrigation services. Thus, clause 31 of the 2013 Code of Conduct was not applicable to its operations during the period 06/2015 to 04/2018. 	NA	NA
148	35(4)	3.1.1	The licensee's complaints procedure must inform the customer that they do not have to use the licensee's complaints procedure, provide details of procedures under the Act, and set out the costs and benefits to the customer if the use the	4	<ul style="list-style-type: none"> Paxon examined OICL's: "Customer Service Charter – August 2016" (Charter) which addresses "Complaints Resolution" in section 8 of the Charter. However, Paxon found the Charter does not disclose the information 	A	4

No.	Obligation Under:	Summary Description of Obligation		Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)
		Water Services Code of Conduct (Customer Service Standards) 2013	Water Services Licence – Version 6				Controls Compliance
	Clause Number	Clause Number					
148 (cont.)			complaint resolution procedure or instead of the procedures under the Act.		referred to in clause 35(4) of the 2013 Code of Conduct; and		
151	36(1)	3.1.1	The licensee must provide a customer with the specified services on request and at no charge.	4	<ul style="list-style-type: none"> Paxon found OICL's Compliance Register records this obligation similar to clause 35(4) of the 2013 Code of Conduct. However, as explained above, the 2018 Code of Conduct is not applicable to the water services OICL is licensed to provide. Consequently, Paxon does not make a recommendation in response to the compliance rating allocated to this expired obligation. Paxon confirmed by interview of OICL's General Manager that, during the period 06/2015 to 04/2018, OICL did not provide the specified services to customers; and Paxon found OICL's Compliance Register records this obligation similar to clause 36(1) of the 2013 Code of Conduct. However, the 2018 Code of Conduct is not applicable to the water services OICL is licensed to provide. 	A	NR

Table 10: Audit Observations and Recommendations

[Obligations as per the ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – May 2018" (Numbers 102 to 151)]

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12)	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)	
				Controls	Compliance		
155	3.2.1	The licensee must pay the applicable fees and charges in accordance with the applicable regulations.	4	<ul style="list-style-type: none"> Paxon examined a sample of tax invoices and payment approvals for ERA annual licence charges across the period 29/11/2016 to 28/11/2018 which proofs such fees were paid in accordance with applicable regulations; and Paxon found OICL's Compliance Register records this obligation similar to clause 3.2.1 of WL37, Version 6. 		A	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.	4	<ul style="list-style-type: none"> OICL's compliance during the Audit Period, with the following legislative instruments is specifically addressed within this Report: <ul style="list-style-type: none"> o Water Services Act 2012 (see reference numbers 2 to 64 and 155 to 190); o Water Services Regulations 2013 (see reference numbers 65 to 89); o Water Services Code of Conduct (Customer Service Standards) 2013 (see reference numbers 102 to 151); and o Water Services (Operating) Licences, versions 4, 5 and 6 (see reference numbers 155 to 190). 		A	3

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12)	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)	
				Controls	Compliance		
156 (cont.)					<ul style="list-style-type: none"> Paxon found OICL's Compliance Register records this obligation similar to clause 3.1.1 of WL37, Version 6. 		
157	5.2 (WL37, Version 4)	The licensee must comply with any code of practice made by the Minister to the extent it applies to the licensee.	4		<ul style="list-style-type: none"> Paxon has no knowledge of any code of practice made by the Minister with which OICL was obligated to comply during the period 06/2015 to 06/2016. 	NA	NA
158	5.3 (WL37, Version 4)	The licensee must comply with any code of conduct made by the Authority to the extent it applies to the licensee and is not inconsistent with the terms and conditions of the licence.	4		<ul style="list-style-type: none"> OICL's compliance with relevant obligations in terms of the 2013 Code of Conduct, during the period 06/2015 to 04/2018, is specifically addressed in this Report (see reference number 102 to 151 above in which both controls and compliance are rated). 	B	4
159	3.1.2	The licensee must comply with a direction from the ERA in relation to a breach of applicable legislation.	4		<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL did not receive any direction from the ERA in relation to a breach of applicable legislation; and Paxon found OICL's Compliance Register records this obligation similar to clause 3.1.2 of WL37, Version 6. 	A	NR

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12)	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)
				Controls	Compliance	
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.	4	<ul style="list-style-type: none"> Paxon examined OICL's "Annual Report – 2015". The independent auditor's report states: <i>"In our opinion the financial report of Ord Irrigation Co-operative Limited is in accordance with the Co-operatives Act 2009, including: ...</i> (b) <i>complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Co-operatives Act 2009." ;</i> 	A	1

No.	Obligation Under:	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)
		Clause Number			Controls Compliance
160 (cont.)	Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12)			<p><i>"In our opinion, the accompanying financial report of Ord Irrigation Co-operative Limited is in accordance with the Co-operatives Act 2009 (Western Australia), including:</i></p> <ul style="list-style-type: none"> <i>b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Co-operatives Act 2009."</i> • Paxon examined OICL's "Financial Report – For The Year Ended 30 June 2018". The independent auditor's report states: <p><i>"In our opinion, the accompanying financial report of the co-operative is in accordance with the Co-operatives Act 2009, including: ...</i></p> <p><i>(ii) complying with Australian Accounting Standards and the Co-operatives Regulations 2010."</i></p> • Paxon found OICL's Compliance Register records this obligation similar to clause 3.6.1 of WL37, Version 6. 	
161	4.2.1	The licensee must comply with any individual performance standards prescribed by the ERA.	2	<ul style="list-style-type: none"> • Paxon examined OICL's Performance Report for 2014-2015 which records: <ul style="list-style-type: none"> ○ 100% of affected customers were provided with 5 	A 3

No.	Obligation Under:	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)
		Clause Number			Controls Compliance
161 (cont.)	Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12)			<p>business days' notice of planned service interruptions;</p> <ul style="list-style-type: none"> ○ 100% of customer accounts provided with non-potable water received annual advice that the water supplied was not suitable for drinking; and ○ Quality of water provided was <300mg/L of dissolved solids which is lower than the <1,200 mg/L TDS stipulated in WL37, Version 4. <ul style="list-style-type: none"> ● Paxon examined OICL's Performance Report for 2015-2016 which records: <ul style="list-style-type: none"> ○ 84% of affected customers were provided with 5 business days' notice of planned service interruptions which is lower than the >90% stipulated in WL37, Version 4; ○ 100% of customer accounts provided with non-potable water received annual advice that the water supplied was not suitable for drinking; and ○ Quality of water provided was <300mg/L of dissolved solids which is lower than the <1,200 mg/L TDS stipulated in WL37, Version 4. ● Paxon examined OICL's Performance Report for 2016-2017 which records: 	

No.	Obligation Under:	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)
		Clause Number			Controls Compliance
161 (cont.)	Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12)			<ul style="list-style-type: none"> ○ 85.3% of affected customers were provided with 5 business days' notice of planned service interruptions which is lower than the >90% stipulated in WL37-6; and ○ Quality of water provided was <250mg/L of dissolved solids which is lower than the <1,200 mg/L TDS stipulated in WL37-6. ● Paxon examined OICL's Performance Report for 2017-2018 which records: <ul style="list-style-type: none"> ○ 84.6% of affected customers were provided with 5 business days' notice of planned service interruptions which is lower than the >90% stipulated in WL37-6; and ○ Quality of water provided was <250mg/L of dissolved solids which is lower than the <1,200 mg/L TDS stipulated in WL37-6. ● Paxon was informed the instances where less than 5 business days' notice were provided to customers relate to wet season stormwater impact to infrastructure which is out of the control of OICL; and ● Paxon found OICL's Compliance Register records this obligation similar to clause 4.2.1 of WL37, 	

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12)	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)
				Controls	Compliance	
161 (cont.)				Version 6. Recommendation 3/2019:		
162	4.3.4	The licensee must cooperate with the independent expert and comply with the ERA's standard audit guidelines dealing with the operational audit.	4	<ul style="list-style-type: none"> OICL should comply with the performance standard for informing customers of planned service interruptions as stipulated in clause 5.1.3 of schedule 2 to WL37, Version 6. 		A 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.	2	<ul style="list-style-type: none"> OICL cooperated with Paxon during the performance of the operational audit and specifically complied with section 4.1: "<i>Assistance provided by the Licensee</i>" as included in the ERA document entitled: "<i>2019 Audit and Review Guidelines - Water Licences – March 2019</i>"; and Paxon found OICL's Compliance Register records this obligation similar to clause 4.3.4 of WL37, Version 6. 		A NR

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12)	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)	
				Controls	Compliance		
163 (cont.)				<ul style="list-style-type: none"> Paxon found OICL's Compliance Register records these obligations similar to clauses 3.7.1(a), (b) and (c) of WL37, Version 6. 			
164	15.1(d) (WL37, Version 4)	The licensee must report to the Authority within 10 business days of providing or undertaking water service works that are major works or general works.	4	<ul style="list-style-type: none"> See the finding for compliance obligations numbers 35 and 42 above. 			
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 function under the Act in the manner and form specified by the ERA.	2	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, the ERA did not request OICL to provide it with specified information; and Paxon found OICL's Compliance Register records this obligation similar to clause 3.8.1 of WL37, Version 6. 			
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 <i>Water Compliance Reporting Manual</i> that apply to the licensee.	2	<ul style="list-style-type: none"> OICL's Compliance Reports for 2014-2015 and 2015-2016 identified breaches in Schedule A (except where otherwise indicated), including: <ul style="list-style-type: none"> "The compliance report from the previous reporting year was 7 days late in being submitted to the Authority." (2014-2015 report only); "Asset information has not been recorded in the new asset management system for all assets."; and 			

No.	Obligation Under:	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)
		Clause Number			Controls Compliance
166 (cont.)	Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12)			<ul style="list-style-type: none"> ○ "The Asset Management Plan does not include the requirement to notify the ERA of changes to the Asset Management system within 10 business Days." ● Paxon does not make a recommendation regarding the late submission of the 2014-2015 Compliance Report as all subsequent compliance reports were submitted timely during the Audit Period; ● The 2014-2015 Compliance Report was attached to an e-mail sent to the ERA on 31/08/2015. Thus, this Compliance Report was submitted in time to the ERA; ● The 2015-2016 Compliance Report was attached to an e-mail sent to the ERA on 29/08/2016. Thus, this Compliance Report was submitted in time to the ERA; ● The 2016-2017 Compliance Report was attached to an e-mail sent to the ERA on 22/08/2017. Thus, this Compliance Report was submitted in time to the ERA; ● The 2017-2018 Compliance Report was attached to an e-mail sent to the ERA on 01/08/2018. Thus, this Compliance Report was submitted in time to the ERA; 	

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12)	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)
				Controls	Compliance	
166 (cont.)				<ul style="list-style-type: none"> Paxon examined Schedule A to the four compliance reports across 2014-2015 to 2017-2018 and is satisfied the information provided was in the manner and form specified by the ERA; and Paxon found OICL's Compliance Register records this obligation similar to clause 3.8.2 of WL37, Version 6. 		
167	3.8.3	The licensee must provide the ERA with the data required for performance reporting purposes that is specified in the <i>Water, Sewerage and Irrigation Licence Performance Reporting Handbook</i> , and the National Performance Framework that apply to the licensee.	2	<ul style="list-style-type: none"> Paxon examined OICL's Performance Report for 2014-2015. Paxon is satisfied this report records the data required for performance reporting purposes as stipulated for large irrigators. However, Paxon found no data was provided in respect of OICL's non-potable water supply services; This Performance Report was attached to an e-mail sent to the ERA on 29/09/2015. Thus, this Performance Report was submitted late to the ERA. This non-compliance was not included in the 2015-2016 Compliance Report. However, as OICL submitted all the subsequent Performance Reports in time to the ERA, Paxon does not make a recommendation in this regard; Paxon examined OICL's Performance Report for 2015-2016. Paxon is satisfied this report records the 	B 4	

No.	Obligation Under:	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)
		Clause Number			Controls Compliance
167 (cont.)	Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12)			<p>data required for performance reporting purposes as stipulated for large irrigators. However, Paxon found no data was provided in respect of OICL's non-potable water supply services;</p> <ul style="list-style-type: none"> • This Performance Report was attached to an e-mail sent to the ERA on 29/08/2016. Thus, this Performance Report was submitted in time to the ERA; • Paxon examined OICL's Performance Report for 2016-2017. Paxon is satisfied this report records the data required for performance reporting purposes as stipulated for large and small irrigators. However, Paxon found no data was provided in respect of OICL's non-potable water supply services; • This Performance Report was attached to an e-mail sent to the ERA on 22/08/2017. Thus, this Performance Report was submitted in time to the ERA; • Paxon examined OICL's Performance Report for 2017-2018. Paxon is satisfied this report records the data required for performance reporting purposes as stipulated for large and small irrigators. However, 	

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12)	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)
				Controls	Compliance	
167 (cont.)				Paxon found no data was provided in respect of OICL's non-potable water supply services;	<ul style="list-style-type: none"> This Performance Report was attached to an e-mail sent to the ERA on 31/08/2018. Thus, this Performance Report was submitted in time to the ERA; and Paxon found OICL's Compliance Register includes an incorrect reference to clause 3.8.3 of WL37-6 (refers to the "Water Compliance Reporting Manual" and not the "Water, Sewerage and Irrigation Licence Performance Reporting Handbook"). <p>Recommendation 4/2019:</p> <ul style="list-style-type: none"> OICL should provide performance date in respect of the non-potable water supply services which it provides in terms of its Water Services Licence. 	
168	2.8.1 and 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.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, the ERA did not direct OICL to publish any information; and Paxon found OICL's Compliance Register records these obligations similar to clauses 2.8.1 and 2.8.2 of WL37, Version 6. 	A	NR

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12)	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)	
				Controls	Compliance		
169	2.7.1	Unless otherwise specified, all notices must be in writing.	4	<ul style="list-style-type: none"> Paxon observed notices were given in writing during the Audit Period. Numerous examples, as referred to throughout this Audit Report, were sighted to support this statement; and Based on the nature of this obligation, Paxon does not believe OICL requires specific controls to ensure compliance with this obligation. 		NP	1
170	20.1 (WL37, Version 4)	The licensee must provide for, and notify the Authority of, an asset management system within the specified time unless otherwise notified by the Authority.	4	<ul style="list-style-type: none"> See the findings for compliance obligation number 7 above. 		D	1
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.	2	<ul style="list-style-type: none"> See the findings for compliance obligation number 7 above. 		D	1
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.	4	<ul style="list-style-type: none"> OICL cooperated with Paxon during the performance of the asset management system review and specifically complied with section 4.1: "<i>Assistance provided by the Licensee</i>" as included in the ERA document entitled: "<i>2019 Audit and Review Guidelines - Water Licences – March 2019</i>"; and Paxon found OICL's Compliance Register records this obligation similar to clause 4.1.6 of WL37, Version 6. 		A	1

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12)	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)
				Controls	Compliance	
Clause Number						
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.	4	<ul style="list-style-type: none"> See the findings for compliance obligation number 15 above. 	A	1
174	22.1 (WL37, Version 4)	Subject to the Act and the terms of a customer contract that apply to the water service, the licensee must supply water services in accordance with the terms and conditions set out in Schedule 4 (if any).	4	<ul style="list-style-type: none"> Schedule 4 to WL37, Version 4 does not include any “Standard Terms and Conditions of Service”. 	NA	NA
175	5.1.1	If directed by the ERA, the licensee must submit a draft customer contract for approval.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL’s General Manager that, during the Audit Period, the ERA did not direct OICL to submit a draft customer contract for approval; and Paxon found OICL’s Compliance Register records these obligations similar to clauses 5.1.1, 5.1.3, 5.1.5, 5.3.1, 5.3.2 and 5.3.4 of WL37, Version 6. 	A	NR
176	5.1.2	The licensee must comply with any <i>Customer Contract Guidelines</i> that apply to the licensee.	4	<ul style="list-style-type: none"> Paxon examined the ERA webpage for “Regulatory Guidelines” and could not find “Customer Contract Guidelines” thereon. 	NA	NA
177	5.1.3	The licensee may only amend the customer contract with the ERA’s approval.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL’s General Manager that, during the Audit Period, OICL did not amend any customer contracts; and 	A	NR

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12)	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)
				Controls	Compliance	
177 (cont.)				<ul style="list-style-type: none"> See the findings for compliance obligation number 175 above regarding controls. 		
178	5.1.5	The licensee must comply with any direction by the ERA to amend the customer contract.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, the ERA did not direct OICL to amend any customer contracts; and See the findings for compliance obligation number 175 above regarding controls. 		A NR
179	5.3.1 and 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.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of OICL's General Manager that, during the Audit Period, OICL did not enter into an agreement with a customer to provide water services that excluded, modified or restricted the terms and conditions of the licence or the requirements of the <i>Code of Conduct</i>; and See the findings for compliance obligation number 175 above regarding controls. 		A NR
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.	4	<ul style="list-style-type: none"> See the findings for compliance obligation number 179 above. 		A NR

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12)	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations		Ratings (as per Table 8)	
				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.	4	<ul style="list-style-type: none"> • See the findings for compliance obligation number 14 above. 		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.	4	<ul style="list-style-type: none"> • See the findings for compliance obligation number 4 above. 		A	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"> • The ERA informed OICL on 14/02/2014 that it was exempted from having a financial hardship policy. Thus, this obligation was not applicable to OICL's operations during the Audit Period. 		NA	NA
190	Schedule 2	The licensee must comply with the service and performance standards as set out in Schedule 2.	2	See the findings for compliance obligation number 161 above.		A	3

Table 10: Audit Observations and Recommendations

[Obligations as per the ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – May 2018" (Numbers 155 to 190)]

4.4 Current Audit: Inadequate Controls, Non-Compliances and Recommendations

Current Audit: Inadequate Controls, Non-Compliances and Recommendations			
A. Resolved During Current Audit Period			
Licence Obligation Reference Number	Controls and Compliance Rating	Date Resolved	Auditor's Comments
	Legislative Obligation	OICL Action Taken	
Details of Inadequate Controls and/or Non-Compliance			

There is no content in Part A.

Table 11: Current Audit: Inadequate Controls, Non-Compliances and Recommendations (Part A)

Current Audit: Inadequate Controls, Non-Compliances and Recommendations

B. Unresolved at End of Current Audit Period

Recommendation Reference (no./year)	Licence Obligation Reference Number	Auditor's Recommendation	OICL Action Taken by End of Audit Period
Controls and Compliance Rating			
Legislative Obligation			
Details of Inadequate Controls and/or Non-Compliance			
1/2019	<ul style="list-style-type: none"> • Obligation numbers: 2, 7, 17, 18, 67, 68, 70, 71, 72, 170 and 171; • Rating: C 1(2), D 1 (7), (170 and 171), D NR (17, 18, 67, 68, 70, 71 and 72); • Legislation: <ul style="list-style-type: none"> ○ Act – sections: 21(1)(b) for #2, 24(1)(b) for #7, 82(4)&(5) for #17 and 84(2) for #18; ○ Regulations 2013: 26(3) for #67, 26(5) for #68, 42(2) for #70, 43(3) for #71 and 43(6) for #72; and ○ WL37, Version 6 – clauses: 3.3.1(b) for #2, 4.1.1 and 4.1.2 for #7 and 3.1.1 for #17, #18, #67, #68, #70, #71 and #72. • Details: <ul style="list-style-type: none"> ○ Paxon examined OICL's "<i>Legal and Compliance Register</i>" (Compliance Register). This Compliance Register includes separate specific work sheets for OICL's: <ul style="list-style-type: none"> • Water Services Licence, WL37 (WL37); • Act and Water Services Regulations 2013; 	<ul style="list-style-type: none"> • OICL should update its Compliance Register to ensure it is accurate and complete. Specifically, OICL should: <ul style="list-style-type: none"> ○ Ensure descriptions of obligations ("Licence Conditions") represent the wording of current legislative instruments; and ○ Ensure references are recorded for: <ul style="list-style-type: none"> • Sections of the Act; or • Regulations in the Water Services Regulations 2013. <p>These references should then be matched with relevant clauses in WL37, Version 6 which should also be recorded (as illustrated within Table 9 of this Report).</p>	<ul style="list-style-type: none"> • Zero.

Current Audit: Inadequate Controls, Non-Compliances and Recommendations

B. Unresolved at End of Current Audit Period

Recommendation Reference (no./year)	Licence Obligation Reference Number	Auditor's Recommendation	OICL Action Taken by End of Audit Period
Controls and Compliance Rating			
Legislative Obligation			
Details of Inadequate Controls and/or Non-Compliance			
1/2019 (continued)		<p>and</p> <ul style="list-style-type: none"> • Water Services Code of Conduct (Customer Service Standards) 2013 (2013 Code of Conduct). ○ Paxon found these work sheets record the following information: <ul style="list-style-type: none"> • Legislative instrument; • Section/regulation/clause reference number; • Description of the obligation; and • Controls information which provides for recording: <ul style="list-style-type: none"> ○ Action taken to meet the obligation; ○ Due date; ○ Frequency; and ○ Supporting documentation. ○ Paxon examined the Compliance Register and found the work sheet entitled: "ERA Licence": 	

Current Audit: Inadequate Controls, Non-Compliances and Recommendations

B. Unresolved at End of Current Audit Period

Recommendation Reference (no./year)	Licence Obligation Reference Number	Auditor's Recommendation	OICL Action Taken by End of Audit Period
Controls and Compliance Rating			
Legislative Obligation			
Details of Inadequate Controls and/or Non-Compliance			
1/2019 (continued)	<ul style="list-style-type: none"> Refers to obligations in terms WL37, Version 4 and not WL37, Version 6; and Does not record references to the relevant sections of the Act. 		
2/2019	<ul style="list-style-type: none"> Obligation number: 2; Rating: C 1; Legislation: Act, section 21(1)(b) and WL37, Version 6, clause 3.3.1(b); and Details: <ul style="list-style-type: none"> Paxon examined the Compliance Register and found the work sheet entitled: "Water Services Code of Conduct" refers to obligations in terms of the 2013 Code of Conduct. However, the Water Services Code of Conduct (Customer Service Standards) 2018, in clause 4(2) limits its application to the supply of drinking water and sewerage service. Thus, it is not applicable to the water services OICL is licensed to provide being non-potable water supply services and 	<ul style="list-style-type: none"> OICL should update its Compliance Register to exclude the work sheet entitled: "Water Services Code of Conduct" as this code is not applicable to the non-potable water supply services and irrigation services which OICL is licenced to supply. Zero. 	

Current Audit: Inadequate Controls, Non-Compliances and Recommendations

B. Unresolved at End of Current Audit Period

Recommendation Reference (no./year)	Licence Obligation Reference Number	Auditor's Recommendation	OICL Action Taken by End of Audit Period
Controls and Compliance Rating			
Legislative Obligation			
Details of Inadequate Controls and/or Non-Compliance			
2/2019 (continued)	irrigation services.		
3/2019	<ul style="list-style-type: none"> • Obligation numbers: 161 and 190; • Rating: A 3; • Legislation: Act, section 12 and WL37, Version 6, clause 4.2.1 for #161 and Schedule 2 for #190; and • Details: <ul style="list-style-type: none"> ○ Paxon examined OICL's Performance Report for 2015-2016 which records 84% of affected customers were provided with 5 business days' notice of planned service interruptions which is lower than the >90% stipulated in WL37, Version 4; ○ Paxon examined OICL's Performance Report for 2016-2017 which records 85.3% of affected customers were provided with 5 business days' notice of planned service interruptions which is lower than the >90% stipulated in WL37, Version 6; and 	<ul style="list-style-type: none"> • OICL should comply with the performance standard for informing customers of planned service interruptions as stipulated in clause 5.1.3 of schedule 2 of WL37, Version 6. • Zero. 	

Current Audit: Inadequate Controls, Non-Compliances and Recommendations

B. Unresolved at End of Current Audit Period

Recommendation Reference (no./year)	Licence Obligation Reference Number	Auditor's Recommendation	OICL Action Taken by End of Audit Period
Controls and Compliance Rating			
Legislative Obligation			
Details of Inadequate Controls and/or Non-Compliance			
3/2019 (continued)	<ul style="list-style-type: none"> ○ Paxon examined OICL's Performance Report for 2017-2018 which records 84.6% of affected customers were provided with 5 business days' notice of planned service interruptions which is lower than the >90% stipulated in WL37, Version 6. 		
4/2019	<ul style="list-style-type: none"> ● Obligation number: 167; ● Rating: B 4; ● Legislation: Act, section 12 and WL37, Version 6, clause 3.8.3; and ● Details: ● Paxon examined OICL's Performance Reports for 2014-2015, 2015-2016, 2016-2017 and 2017-2018. Paxon found no data was provided in respect of OICL's non-potable water supply services. 	<ul style="list-style-type: none"> ● OICL should provide performance data in respect of the non-potable water supply services which it provides in terms of its Water Services Licence. ● Zero. 	

Table 11: Current Audit: Inadequate Controls, 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 because of the Review, are set out in the following two Tables - taken from the ERA's document entitled: "2019 Audit and Review Guidelines - Water Licences – March 2019" (ERA's Guidelines).

Asset Management Process and Policy Rating Scale

ERA's Guidelines: Table No. 9

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) is adequate in relation to the assets being managed.
B	Requires some improvement	<ul style="list-style-type: none"> Processes and policies require 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) requires minor improvements (taking into consideration the assets being managed).
C	Requires substantial improvement	<ul style="list-style-type: none"> Processes and policies are incomplete or require substantial improvement. Processes and policies do not document the required performance of the assets. Processes and policies are considerably out of date. The asset management information system(s) requires substantial improvements (taking into consideration the assets being managed).
D	Inadequate	<ul style="list-style-type: none"> Processes and policies are not documented. The asset management information system(s) is not fit for purpose (taking into consideration the assets being managed).

Table 12: Asset Management Process and Policy Rating Scale

Asset Management Performance Rating Scale
ERA's Guidelines: Table No. 10

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	Improvement required	<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. Recommended process improvements are not implemented.
3	Corrective action required	<ul style="list-style-type: none"> The performance of the process requires substantial improvement to meet the required level. Process effectiveness reviews are performed irregularly, or not at all. Recommended process improvements are not implemented.
4	Serious action required	<ul style="list-style-type: none"> Process is not performed, or the performance is so poor the process is considered to be ineffective.

Table 13: Asset Management Performance Rating Scale

5.2 Asset Management System: Ratings Summary

The ratings for the asset management processes, including their effectiveness criteria, are indicated in Table 14 below:

Asset Management System	Process and Policy Rating				Performance Rating			
	Adequately Defined	Requires Some Improvement	Requires Substantial Improvement	Inadequate	Performing Effectively	Improvement Required	Corrective Action Required	Serious Action Required
Processes and Effectiveness Criteria	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;	✓				✓			

Asset Management System	Process and Policy Rating				Performance Rating			
	Adequately Defined	Requires Some Improvement	Requires Substantial Improvement	Inadequate	Performing Effectively	Improvement Required	Corrective Action Required	Serious Action Required
Processes and Effectiveness Criteria	A	B	C	D	1	2	3	4
<ul style="list-style-type: none"> Evaluations include all lifecycle costs; 	✓				✓			
<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"> On-going 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	Process and Policy Rating				Performance Rating			
	Adequately Defined	Requires Some Improvement	Requires Substantial Improvement	Inadequate	Performing Effectively	Improvement Required	Corrective Action Required	Serious Action Required
	A	B	C	D	1	2	3	4
Processes and Effectiveness Criteria								
continuity, emergency response etc.) are measured and achieved;								
<ul style="list-style-type: none"> • Compliance with statutory and regulatory requirements; and 	✓				✓			
<ul style="list-style-type: none"> • Achievement of customer service levels. 	✓				✓			
Asset Operations	✓				✓			
<ul style="list-style-type: none"> • Operational procedures and policies are documented and linked to service levels required; 	✓				✓			
<ul style="list-style-type: none"> • Risk management is applied to prioritise operations tasks; 	✓				✓			
<ul style="list-style-type: none"> • 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; 	✓				✓			
<ul style="list-style-type: none"> • Operational costs are measured and monitored; and 	✓				✓			
<ul style="list-style-type: none"> • Staff resources are adequate, and staff receive training commensurate with their responsibilities. 	✓				✓			
Asset Maintenance	✓				✓			
<ul style="list-style-type: none"> • Maintenance policies and procedures are documented and linked to service levels required; 	✓				✓			
<ul style="list-style-type: none"> • Regular inspections are undertaken of asset performance and condition; 	✓				✓			

Asset Management System	Process and Policy Rating				Performance Rating			
	Adequately Defined	Requires Some Improvement	Requires Substantial Improvement	Inadequate	Performing Effectively	Improvement Required	Corrective Action Required	Serious Action Required
	A	B	C	D	1	2	3	4
Processes and Effectiveness Criteria								
<ul style="list-style-type: none"> Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule; 	✓				✓			
<ul style="list-style-type: none"> Failures are analysed, and operation/maintenance plans are adjusted where necessary; 	✓				✓			
<ul style="list-style-type: none"> Risk management is applied to prioritise maintenance tasks; and 	✓				✓			
<ul style="list-style-type: none"> Maintenance costs are measured and monitored. 	✓				✓			
Asset Management Information System	✓				✓			
<ul style="list-style-type: none"> Adequate system documentation for users and IT operators; 	✓				✓			
<ul style="list-style-type: none"> Input controls include appropriate verification and validation of data entered into the system; 	✓				✓			
<ul style="list-style-type: none"> Logical access controls appear adequate such as passwords; 	✓				✓			
<ul style="list-style-type: none"> Physical security access controls appear adequate; 	✓				✓			
<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 	✓				✓			

Asset Management System	Process and Policy Rating				Performance Rating			
	Adequately Defined	Requires Some Improvement	Requires Substantial Improvement	Inadequate	Performing Effectively	Improvement Required	Corrective Action Required	Serious Action Required
Processes and Effectiveness Criteria	A	B	C	D	1	2	3	4
<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. 	✓				✓			
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; 	✓				✓			

Asset Management System	Process and Policy Rating				Performance Rating			
	Adequately Defined	Requires Some Improvement	Requires Substantial Improvement	Inadequate	Performing Effectively	Improvement Required	Corrective Action Required	Serious Action Required
	A	B	C	D	1	2	3	4
Processes and Effectiveness Criteria								
<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 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 	✓				✓			

Asset Management System	Process and Policy Rating				Performance Rating			
	Adequately Defined	Requires Some Improvement	Requires Substantial Improvement	Inadequate	Performing Effectively	Improvement Required	Corrective Action Required	Serious Action Required
	A	B	C	D	1	2	3	4
Processes and Effectiveness Criteria								
expenditure plan is regularly updated and actioned.								
Review of Asset Management System	✓				✓			
• A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current; and	✓				✓			
• Independent reviews (e.g., internal audit) are performed of the asset management system.	✓				✓			

Table 14: Asset Management System: Ratings Summary

5.3 Review Observations and Recommendations

No.	Asset Management Process	Review Priority	Observations and Recommendations	Process and Policy Rating	Performance Rating
1	Asset Planning	5	<ul style="list-style-type: none"> • OICL's prime document is its "<i>Policies, Plans and Procedures Manual</i>" (PPP) of 398 pages. The PPP provides a brief history of the Ord Irrigation Scheme and its development – including the formation of OICL which operates and manages the system on behalf of the Ord Asset Mutual Cooperative (OAMC) which owns the irrigation assets on behalf of its members; • OICL's approach to the management and operation of its assets is detailed in various sections of the PPP, which incorporates OICL specific policies and procedures associated with: <ul style="list-style-type: none"> ◦ Human Resources, Occupational Health and Safety, and Administration; and ◦ Management of Assets topics including: <ul style="list-style-type: none"> • Planning, Acquisition and Disposal; • Environmental Analysis, Operation and Maintenance; • Risk Assessment, Contingency and Disaster Recovery; • Finance and Capital Expenditure; and • Review of the asset management system and implementation of relevant amendments/ improvements. • Section 9.4 of the PPP contains a general description of the scheme together with a summary of its major elements and supporting asset types; • Operational constraints and opportunities are broadly outlined, together with comment on asset condition and constraints; • Assets requiring attention are listed - as are issues requiring resolution with the Water Corporation, Department of Water and the Local Authority; • The Asset Management Plan (contained within the PPP) is further supported by separate detailed documents including an Operations Manual, Design Manual, Waterman's Manual and Customer Charter; • Service levels, water quality etc. are clearly defined in both the PPP and Customer Charter; • The Asset Management Plan is regularly reviewed, up to date, implemented and recorded as appropriate; and 	A	1

No.	Asset Management Process	Review Priority	Observations and Recommendations	Process and Policy Rating	Performance Rating
1	Asset Planning (continued)	5	<ul style="list-style-type: none"> Reviewer noted that OICL holds Asset Management certification under ISO 55001 (2014), in addition to ISO 14001 (2015) – Environment, ISO 9001 (2015) - Quality and AS/ANZ (2001) – Safety. 	A	1
2	Asset Creation and Acquisition	5	<ul style="list-style-type: none"> The AMP defines an asset as a non-fixed item with a value exceeding \$1,000 and a remaining life of at least two years. Staff with authority to make purchases must consult with the General Manager prior to placing orders or purchasing an asset and must ensure the acquisition represents value for money; OAMC owns all the assets with the exception of buildings, office furniture and equipment, motor vehicles and the SCADA system equipment – which is owned by OICL. Acquisition of assets exceeding \$25,000 in value must be submitted to and be approved by the relevant Board; Irrespective of which cooperative will acquire an asset, the General Manager has authority and is responsible to the board for making all acquisitions. In practise the boards receive monthly reports in which purchases of less than \$25,000 value are advised and their expenditure reported against overall budget; In the case of purchase exceeding \$25,000 a business case must be prepared and presented to the Board for approval. The business case must consider the reason for the acquisition and the options available, together with their suitability, availability, initial and on-going costs of operation, insurance etc. Other considerations include (as appropriate), delivery period, availability of spare parts, local manufacture or representation, compatibility with existing assets; Reviewer examined examples of acquisition assessment and board submissions including an assessment of the annual cost of purchasing, operating and maintaining a major item of excavation equipment compared with the annual cost of hiring the equipment, its operating staff and consumables. The excavator has since been acquired; and During the review period the only major water system asset acquired by OAMC was a tower to service the SCADA system. Electronic equipment housed in the tower was acquired by OICL. 	A	1
3	Asset Disposal	5	<ul style="list-style-type: none"> OICL's Asset Management Plan states that non fixed assets may be disposed of when they are: <ul style="list-style-type: none"> No longer required; Not needed in the foreseeable future; 	A	1

No.	Asset Management Process	Review Priority	Observations and Recommendations	Process and Policy Rating	Performance Rating
3	Asset Disposal (continued)	5	<ul style="list-style-type: none"> ○ Not complying with Occupational Health and Safety standards; and ○ Beyond repair but able to be sold for scrap. ● The disposal of assets for greater than a return of \$1,000 must be approved by the relevant board. Assets disposed of must be written down in value and the disposal date and financial yield added to the asset register; ● Disposal proposals submitted to the board for approval address the options for replacement of assets - which may include process amendments making an asset redundant, simple replacement of an asset underperforming or beyond repair. Similarly, the method of disposal is considered i.e. the cheapest option may introduce other non- monetary costs e.g. disposal to land fill may introduce environmental or public health or safety issues; and ● During the review period no major assets were disposed of. 	A	1
4	Environmental Analysis	5	<ul style="list-style-type: none"> ● Opportunities and threats to the system are broadly addressed in Section 9.4 of the PPP. Threats are addressed in more detail in the various risk assessments in the PPP i.e. Business, OHS and IT threats; ● Threats and opportunities associated with the system were examined during a specialist-facilitated workshop held in-house in September 2017; ● The procedures for monitoring and reporting operational and financial performance are thorough and well documented. This is particularly evident in the series of processes associated with farmers ordering of water, the Waterman's coordination of delivery and recording supply volumes, together with the subsequent use of the supply records by the office for software-based preparation and forwarding of monthly water bills; ● Reports reviewed indicated no compliance breaches during the review period; ● Pending resolution of an issue regarding OICL's annual water entitlement - the Department of Water (DOW) has not renewed OICL's licence to take water. In the interim, the former licence is considered "on hold" and OICL has continued to operate in compliance with the licence conditions of monitoring and reporting to DOW; and ● Reviewer noted a table indicating the type, dates for the preparation of board and authority reports and inspections to be undertaken during the course of a year. Software generated reminders are emailed to responsible staff advising of the nature of the report and its due date. 	A	1

No.	Asset Management Process	Review Priority	Observations and Recommendations	Process and Policy Rating	Performance Rating
5	Asset Operations	4	<ul style="list-style-type: none"> • OIC has the following significant procedures and policies applicable to its operations: <ul style="list-style-type: none"> ◦ Section 10 of the PPP mainly addresses policy and rules, including powers of entry on private lands, communications, overdraw of water allocation, supply in years of reduced allocation, contamination of supply and channel and drains chemical application; ◦ The Operations Manual deals with the application of procedures contributing to the physical and administrative operation of the business. Items addressed include incident management and general administration, infrastructure, the irrigation management system, SCADA, pumping stations operation, maintenance of channels, access roads and weed control. Flow assessment channel control and flow measurement are considered in detail; ◦ The Waterman's Manual provides a detailed description of the Waterman's duties and procedures. These include receiving and confirming orders and planning and managing each day's delivery program. These duties also involve recording start and finish meter readings, basic maintenance and repairs. Details are recorded in a workbook for office use - where condition and maintenance information are recorded in the asset registers and meter readings entered into account preparation software; ◦ The Design Manual provides design criteria and rules for irrigation channels, drains, associated structures and on-farm structures. The information is used to assess the capacity of existing assets, investigation and design of scheme extensions, design of replacement assets and repair of damage. OICL has a complete set of digitised design drawings for the scheme and its assets; ◦ The organisation chart in the PPP indicates a current staff of fifteen including the General Manager. A further two staff positions – a SCADA Trainee and a Weed Management Officer are intended; ◦ The skills, experience and other attributes required for each position are set out in the PPP. A training matrix provides an assessment of the skills, knowledge and training requirements of each staff member. Details of each staff member's training requirements, status of current training certification and renewal dates are kept in the STEMS software package, which issues reminders as renewal dates approach; ◦ Asset data compiled by consultants Brown and Root was provided to OICL on handover of the assets from the Water Corporation. Some of the data, which was subsequently transferred into the asset register of Loc8 asset management software, was incomplete. In response to recommendation No.1 of the Cardno Asset Management Review in 2015, 	A	1

No.	Asset Management Process	Review Priority	Observations and Recommendations	Process and Policy Rating	Performance Rating
5	Asset Operations (continued)	4	<p>OICL resolved to mount its asset register on ARC GIS asset management package. Correction of information and transfer from Loc8 to ARC GIS software including addition of missing detail is now in hand;</p> <ul style="list-style-type: none"> ○ The most relevant asset information to OICL is the condition and capacity of each asset – which is not completely recorded in the existing registers. OICL has installed ARC GIS “Locate” a software program, which will facilitate recording asset condition and capacity information on site, together with photographs. The program displays the location of each asset on a tablet or smart phone screen map of the system and allows the condition and capacity of each asset to be viewed for confirmed or corrected the screen. The information can then be transferred from the field directly into the asset registers in ARC GIS; and ○ Consultants are preparing a new template for the asset registers on ARC GIS. The registers will record condition and capacity from the “Locate” program as described above. Other information will be gathered and recorded as a separate task. 	A	1
6	Asset Maintenance	4	<ul style="list-style-type: none"> • Planned preventive maintenance tasks and time intervals are set out for various asset groups in the PPP. The asset groups are broadly as follows: <ul style="list-style-type: none"> ○ Irrigation equipment – including the supply channels and access roads, drain and water management structures, Packsaddle and M1 pumping stations; ○ Office equipment; ○ Vehicles and machinery; ○ Occupational Health & Safety; and ○ Pumping stations – a specific maintenance regime is provided for maintenance and performance assessment of the Packsaddle and M1 pumping stations. • Planned maintenance intervals rather than specific months or weeks are specified - as heavy rainfall during the annual “wet season” causes significant erosion and silting in channels and drains and damage to structures. Irrigation works cease during the wet season – and the ground becomes waterlogged and un-trafficable. Consequently, maintenance and repairs must be delayed until the area dries out following the wet; • As a result, extensive unplanned repair is required, necessitating all maintenance and repair tasks to be prioritised in order to restore the operational integrity of the system before the irrigation re-commences; • Details of necessary asset maintenance and repair tasks are noted in the asset register. ARC GIS tasks are prioritised in terms of capacity, condition, criticality ranking and cost. Tasks 	A	1

No.	Asset Management Process	Review Priority	Observations and Recommendations	Process and Policy Rating	Performance Rating
6	Asset Maintenance (continued)	4	<p>are logged off when completed. The procedures of logging maintenance and repair and completion data was demonstrated to the Reviewer;</p> <ul style="list-style-type: none"> • Anticipated repair, maintenance and renewal costs are provided in the annual budget submitted for board approval. Progress on these works is reported to the Board monthly, together with expenditure compared with the budget and the previous year; • The condition and capacity of assets - and the nature of consequent maintenance, repair or replacement is assessed on the following assessment criteria: <p>Condition:</p> <ul style="list-style-type: none"> ○ 1 - Young – (new or refurbished) – maintain in accordance with the manual or generic guidelines; ○ 2 – Good - (Among the best of its type) - maintain in accordance with the manual or generic guidelines - measure and monitor on-going condition; ○ 3 – Adult – (sound condition – failures infrequent or minor) – adopt special maintenance procedures for and during peak demand periods; ○ 4 – Mature – (poor) - monitor continuously. Include failure in contingency plans. Plan re-furbishment; and ○ Old – (just serviceable) - history of poor condition. Plan for replacement. <p>Capacity:</p> <ul style="list-style-type: none"> ○ A – Excess – (performance exceeds demand) – operate in accordance with the manual or generic guidelines; ○ B – Above – (operates as designed) - operate in accordance with the manual; ○ C – Adequate – (performance matches peak demand) – prepare and follow special operating procedures for and during peak demand periods; ○ D – Limited – (peak demand period exposes performance deficiencies) - include failure in contingency plans. Plan re-furbishment. ○ E – Below – (performance unsatisfactory) – plan for replacement or duplication. <ul style="list-style-type: none"> • OICL's maintenance documentation, practical approach and implementation are considered appropriate and thorough. 	A	1

No.	Asset Management Process	Review Priority	Observations and Recommendations	Process and Policy Rating	Performance Rating
7	Asset Management Information System	4	<ul style="list-style-type: none"> • OICL manages its information system via a series of specialist software suites. A brief summary of the software uses follows: <ul style="list-style-type: none"> ○ STEMS - Occupational Health and Safety, human resources, training and incident records, etc. are managed on the STEMS software. This area of OICL's operations has recently replaced the previously used Loc8 package; ○ ARC GIS – This software package is currently being populated with asset data – and also replaces Loc8. ARC GIS will accommodate a major update of the asset management system including asset register, asset condition, maintenance and renewal prioritisation and action completion recording. An updated presentation template for the software is being developed to suit OICL's requirements. ○ ARC GIS "Collect", a tablet/smart phone software package is being set up to allow the location of assets to be mapped and asset condition, capacity and photographs to be recorded and transferred directly into the main asset register from the field; ○ Rubicon DMS software implemented for ordering and coordinating water delivery. The program also provides input to the financial package XERO for preparation and issuing of monthly accounts; ○ OICL uses the financial software XERO as the platform for recording staff cost and expenditure allocation associated with operations and maintenance. The package accommodates budget preparation and cost monitoring, payroll, preparation of progressive expenditure and comparative reports for management and the Board; ○ SCADA - The Supervisory Control and Data Acquisition software suite is applied to monitor and control the water distribution system. The system automatically monitors and controls the system in the Packsaddle plain area, but is used for monitoring only on the Ivanhoe area; ○ OICL has installed a Trimble RTK machine and farm control system. The system is primarily for accurately controlling the operation of OICL's machinery in the field. By arrangement, irrigator customers can also use the system for on farm grading and similar operations. OICL also uses the system for tracking the movement of its machinery and vehicles; and ○ MICROSOFT OFFICE - mainly Word and Excel, are used for general documentation and investigation. • The system servers are kept in a permanently locked and air-conditioned room in the OICL offices. Access to the room is limited to the General Manager and Office Manager. Access to 	A	1

No.	Asset Management Process	Review Priority	Observations and Recommendations	Process and Policy Rating	Performance Rating
7	Asset Management Information System (continued)	4	the software systems is password controlled and available only as related to the users' duties /responsibility. Back-ups are recorded on tape daily and kept by a senior staff member overnight and weekends.	A	1
8	Risk Management	4	<ul style="list-style-type: none"> • OICL requires that assessment of risk is undertaken where relevant in all areas of its business activities. During discussion, Reviewer noted risk application in aspects of operations and maintenance, assessment of acquisition and disposal options, change management and information technology; • OICL adopts a standard risk matrix, which compares the likelihood of five events occurring against five consequences of such an event. Risk values of low, moderate, high and extreme are determined from the values indicated in the relevant cells of the twenty-five-cell matrix; • Risk assessment tables for all identified risk events have been developed - with columns listing event cause, responsibility, consequence level and initial risk level are determined from the risk matrix. Major control measures to mitigate the initial risk are identified and adopted. The consequent (residential) risk is determined on the expected mitigation provided by the proposed controls adopted; • The AMP contains a Business Risks assessment table in which the risks of twenty-nine identified events are assessed. The key risks have been identified as change of the environment (physical and legislative), asset failure and irrigation or farm operating practises; • Twenty-seven events are considered in the Health & Safety and Environmental Risks Assessment table – in which the key risks are identified as operation and maintenance of Dethridge Wheels, operation of machinery and operation of vehicles; • The top five risks associated with Information Technology are identified as non-compliance with privacy, legislation and regulatory commitments, poor power supply resulting in damage to electronics and down time, inefficient and in-appropriate IT infrastructure or delivery of water, lightning damage, Cyber, malware, ransom ware or other virus related attack; and • The policy and process application of risk across the activities of OICL's business is considered appropriate and thorough. 	A	1

No.	Asset Management Process	Review Priority	Observations and Recommendations	Process and Policy Rating	Performance Rating
9	Contingency Planning	4	<ul style="list-style-type: none"> • OICL/OIAMC Contingency Planning is addressed in Section 11.3 of the PPP as "<i>Disaster Recovery Plan</i>". The plan addresses two basic scenarios i.e.: <ul style="list-style-type: none"> ◦ Case (a) - where damage does not limit the ability of growers to operate; and ◦ Case (b) – severe events where the damage is so severe that growers cannot operate. • As storm damage varies significantly, insurance is not available for recovery works. OICL/OIAMC has therefore set up separate investment funds to provide self-insurance for both cases; • The PPP identifies nine damage scenarios that may occur including failure of power, channels and drains and damage to major structures. <p>In order to estimate the magnitude of the required funds, the likely repair costs are estimated in each case – based on a repair period of eight weeks and known rates for construction, machine hire, replacement equipment and professional fees.</p> <p>The fund allocations are considered appropriate for both cases in which:</p> <ul style="list-style-type: none"> ◦ The allocation for case (a) to be available if funds in the annual maintenance and renewals program are insufficient; and ◦ The Contingency fund for case (b) to be made available following agreement at a joint meeting of both Boards. <ul style="list-style-type: none"> • Investigation of annual repair cost over a five years period, (including damage from events of 1 in 100, 1 in 20 and 1 in 5 years, plus two years in which damage is repaired from the maintenance and renewals program) indicates that the contingency fund would be reduced by approximately one third. <p>Withdrawals from both funds must be restored as quickly as possible in a manner recommended and agreed to by the Board;</p> <ul style="list-style-type: none"> • Reviewer was advised that to date, no withdrawals have been made from the Contingency fund; • OICL considers the normal requirement to undertake a broad range of maintenance and repair - particularly following the wet season, negates the need to undertake desktop tests of the procedures; • A full list of contractors, trades and suppliers and contact details is provided in the PPP; • A list of authorities that may need to be advised, depending on the circumstances, together with contact details is included as "<i>Emergency Contact Information</i>" in Section 13.7 of the PPP. 	A	1

No.	Asset Management Process	Review Priority	Observations and Recommendations	Process and Policy Rating	Performance Rating
9	Contingency Planning (continued)	4	<p>This information should also be included in Section 11.3 - <i>"Disaster Recovery Plan"</i>;</p> <ul style="list-style-type: none"> • Section 11.3 should the person(s) who will have responsibility for inspection, deciding the recovery strategy, directing and coordinating the work, including advice to stakeholders and authorities; and • Reviewer considers OICL's contingency plan is practical and appropriate. 	A	1
10	Financial Planning	4	<ul style="list-style-type: none"> • OICL and OAMC each have a financial plan spanning the twenty years period from 2016/17 to 2036/37. The plans are updated at approximately three years intervals – depending on cost, interest rates and other variation, which may have occurred since the previous financial plan was prepared. These plans represent OICL's best assessment of likely future income and expenditure; • The plans are very detailed and provide estimates of profit and loss over the twenty or so years of the plan. Only the immediate ten years of the plans are considered for planning purposes; and • Annual budgets are prepared for approval of the relevant board. Both boards are provided with monthly details of expenditure and variations from the monthly budget, year to date and comparisons with those of the previous year. 	A	1
11	Capital Expenditure Planning	4	<ul style="list-style-type: none"> • Maintenance and repair works undertaken generally result in restoration of the condition or capacity of assets - effectively extending their operating life, and negating end of life replacement; • OICL's consultants have developed (within ARC GIS) a program for monitoring and recording asset condition, together with a priority schedule of replacement, maintenance and cost estimates. Reviewer's impression is that data entry and implementation of the program is a year or more distant; • In the interim, OICL/OAMC is continuing its past practise of listing maintenance and renewals as expenditure, rather than as planned or anticipated projects, together with their specific costs; • The above approach is indicated in the twenty years financial plan referred to in Section 10 Financial Planning, of this Report. Reviewer was advised that in the event that maintenance exceeds estimate, the additional funding would probably be sourced from the renewals allowance and the variation added to the outstanding renewal works estimate; and • Pending the completion of the ARC GIS program, continuation of the current capital expenditure planning is proven and practical. 	A	1

No.	Asset Management Process	Review Priority	Observations and Recommendations	Process and Policy Rating	Performance Rating
12	Review of Asset Management System	5	<ul style="list-style-type: none"> • The prime documents reviewed i.e. "<i>Policies, Plans and Procedures Manual</i>" (PPP), "<i>Operations Manual</i>", and "<i>Waterman's Manual</i>" were up to date. Each listed the date of review and the name or title of the reviewer. The Design Manual was sub-captioned as the third metric edition produced from the original (1974) Public Works Department document; • Other documents, reports, minutes etc. were dated with the writer's name or initials stated; • The PPP clearly states OICL's review schedule for both documentation and procedures; • Independent reviews of the AMS are taken at six monthly intervals for ISO Asset Management Certification and annually for environmental certification HSE compliance. Also, the rules of association between OICL and OAMC require a full independent evaluation of the asset management system. This latter review is in hand and has resulted in the decision to replace Loc8 with the STEMS and ARC GIS software; • Reviewer experienced significant delay in reviewing the 392-page PPP document – being obliged to continuously scroll through the document to find comment on specific topics: <ul style="list-style-type: none"> ◦ e.g. "<i>Asset Creation and Disposal</i>" is not listed in the Table of Contents but is addressed within Section 6 – <i>Administration</i> - as a sub-heading of 6.2 – <i>Records Management</i>; and ◦ Similarly, Section 11.3 – "<i>Disaster Recovery Plan</i>" occupies sixteen pages containing more than twenty sub-headings and tables, none of which are indicated in the Table of Contents. Inclusion of all sub-headings in the Table of Contents is necessary to make the document more readable and useful; and • Despite the above comment, OICL's review policies and documentation are up to date and properly implemented. 	A	1

Table 15: Review Observations and Recommendations

5.4 Current Review: Asset Management System Deficiencies and Recommendations

Current Review: Asset Management System Deficiencies and Recommendations			
A. Resolved During Current Review Period			
Reference	Rating	Date Resolved	Reviewer's Comments
	Asset Management Process and Effectiveness Criterion	OICL Action Taken	
Details of Deficiency			

There is no content in Part A.

Table 16: Current Review: Asset Management System Deficiencies and Recommendations (Part A)

Current Review: Asset Management System Deficiencies and Recommendations**B. Unresolved at End of Current Review Period**

Recommendation Reference (no./year)	Rating	Reviewer's Recommendation	OICL Action Taken by End of Review Period
Reference Number, Asset Management Process and Effectiveness Criterion			
Details of Deficiency			

There is no content in Part B.

Table 16: Current Review: Asset Management System Deficiencies and Recommendations (Part B)

6 Audit Opinion

To the best of my knowledge, this audit and review report is an accurate presentation of my findings and opinions.



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Executive Director – Audit and Assurance

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