

**AUDIT GUIDELINES:
ELECTRICITY, GAS AND
WATER LICENSING:
AUDIT TEMPLATE FOR
SMALLER ORGANISATIONS**

Economic Regulation Authority

 WESTERN AUSTRALIA

This document is available from the Economic Regulation Authority website
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1 Background

1.1 Purpose of audit guideline – smaller organisations

This guideline for smaller organisations is designed to be read in conjunction with the Authority's publication termed 'Audit guidelines: Electricity, Gas and Water Licences'. This audit guideline for smaller organisations together with the Authority's publication 'Audit Guidelines: Electricity, Gas and Water Licenses' are designed to enable the Authority to obtain independent assurance that licensees of electricity, gas and water services have in place effective systems and controls to ensure compliance with licence obligations and asset management 'best practice'.

The purpose of this guideline for smaller organisations is to assist auditors of smaller electricity, gas and water service providers in drafting audit plans and audit reports. It is recognised that smaller organisations have a different risk profile to larger organisations, depending on factors such as the type of services provided, number of customers and maturity of systems.

For example, the risk assessment for a small country shire providing only non-potable water will vary considerably from a large, metropolitan potable water provider.

The Authority further recognises that smaller organisations may have less well-developed asset management systems compared with larger organisations. While the basic objectives of an effective asset management system need to be met, the level of detail and complexity of the system will vary depending upon the size of the organisation and the risk assessment.

As such, the Authority has approved this guideline for use by auditors of smaller organisations to draft audit plans and audit reports. The guideline includes templates for audit plans, risk assessments and audit reports.

The Appendices provide a practical example of an audit plan, risk assessment and audit report written in the context of a small water service provider named Country Water Services ('CWS').

The example demonstrated is for a combined performance/operational audit and asset management review and includes:

- example of an audit plan (with a preliminary risk assessment); and
- various templates to assist the auditor to document the review and prepare the audit report.

Although a water service provider is used in this example, the audit plan and templates can be readily adapted for audits of smaller providers of gas and electricity services.

1.2 Audit guidelines – all organisations

The Authority approved 'Audit Guidelines: Electricity, Gas and Water Licences' (refer www.era.wa.gov.au), outlines the full audit framework for the Authority to fulfil its audit responsibilities under the Electricity, Gas and Water Acts and is briefly summarised below.

The industry legislation for water, gas and electricity service providers requires two types of audit/reviews – performance/operational audit and a review of the asset management system.

1.2.1 Performance/Operational Audit

A performance/operational audit assesses the effectiveness of measures taken by the licensee to meet the obligations of the performance and quality standards referred to in the licence.

The audit focuses on the systems and effectiveness of processes used to ensure compliance with the standards, outputs and outcomes required by the licence. The audit should identify areas where improvement is required and recommend corrective action as necessary.

The licence conditions for electricity licences¹ are similar to those for gas and water licences and state that:

- the licensee must, unless notified in writing by the Authority, provide the Authority with a performance audit within 24 months after the commencement date, and every 24 months thereafter;
- the licensee must comply, and must require the licensee's auditor to comply with the Authority's standard audit guidelines dealing with the performance audit, including any minimum requirements relating to the appointment of the auditor, the scope of the audit, the conduct of the audit and the reporting of the results of the audit;
- the licensee may seek a review of any of the matters in the standard audit guidelines in accordance with the general provision in the licence for review of the Authority's decisions; and
- the independent auditor may be nominated by the licensee but must be approved by the Authority prior to the commencement of the audit.

1.2.2 Review of Asset Management System

An asset management system is required to set out the measures to be taken by the licensee for the proper maintenance of assets used in the provision and operation of services and, where appropriate, the construction or alteration of relevant assets.

The asset management system should include asset management plans for all of the licensee's assets which set out the measures that are to be taken by the licensee for the proper maintenance of assets. The plans need to convey to the Authority the licensee's business strategies to ensure the effective management of assets over at least a five year period.

An asset management system applies to all licences with the exception of electricity (retail) and gas (trading) licences.

The standard licence conditions for electricity licences are similar to those for gas and water licences and state that:

- the licensee must, unless notified in writing by the Authority provide the Authority with a report as to the effectiveness of the asset management system not less than once every 24 months calculated from the granting of the licence;
- the licensee must comply, and must require the licensee's independent expert to comply with the Authority's standard review guidelines dealing with the asset management system, including any minimum requirements

¹ Where gas and water licence conditions differ, licences shall be reviewed in an effort to standardise licence conditions.

relating to the appointment of the independent expert, the scope of the review, the conduct of the review and the reporting of the results of the review;

- the licensee may seek a review of any of the matters in the standard review guidelines in accordance with the general provision in the licence for review of the Authority's decisions; and
- the independent expert may be nominated by the licensee but must be approved by the Authority prior to the commencement of the review.

1.2.3 Objectives of Audit Guidelines

The audit guidelines aim to:

- ensure that audits are conducted and reported in a consistent, rigorous and independent manner by establishing minimum requirements for the selection of auditors and the scoping, conduct and reporting of audits;
- provide incentives for businesses to achieve compliance by:
 - minimising the risk that significant non-compliance will remain undetected and providing businesses with an opportunity to rectify non-compliance;
 - varying the frequency of audits based on a risk assessment such that businesses that can demonstrate consistent and effective compliance will be audited less frequently than those businesses with lower levels of compliance; and
- maximise the cost-effectiveness of audits by adopting a risk-based audit approach to the frequency of audits, the scope and the depth of the audit evidence required.

1.3 Auditing standards

The performance/operational audit and review of the asset management system are required to be undertaken in accordance with current Australian Auditing Standards, as outlined below:

- AUS 806 performance auditing; and
- AUS 808 planning performance audits.

Refer to the 'Audit Guidelines: Electricity, Gas and Water Licences' for a summary of the auditing standards.

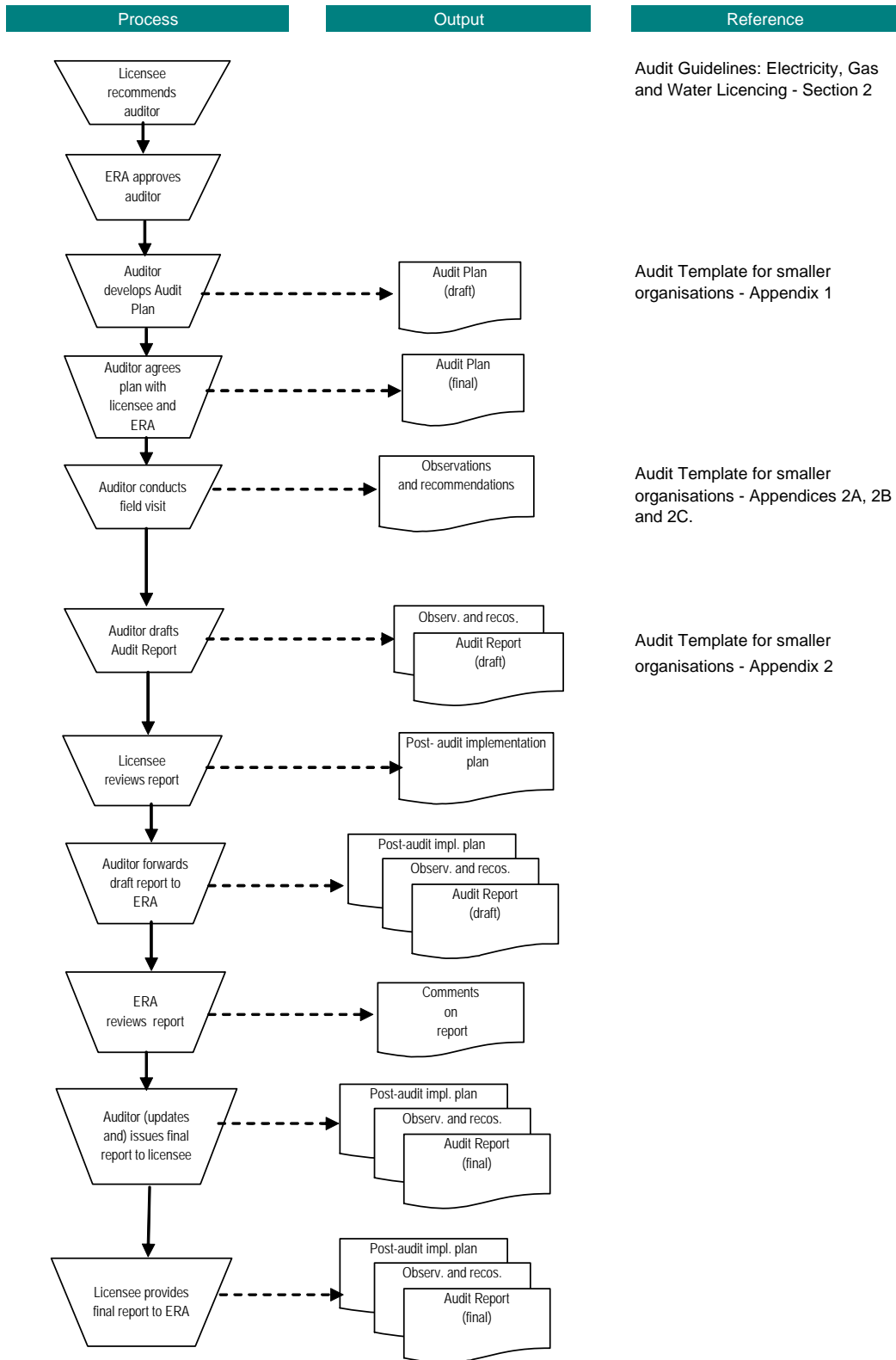
1.4 How to use this guideline

The auditor may use the appendices to draft both the audit plan and audit report. Many of the reporting requirements for the audit plan and audit report are prepared in the context of the fictitious water provider named Country Water Services ('CWS').

To this end, the auditor may replace the term Country Water Services ('CWS') with the relevant licensee's name and elaborate on the report where necessary.

It is important that the auditor quality checks their work before providing the audit plan or audit report to the service provider. Historically, the Authority has received poor quality audit plans and audit reports which in the future will be returned to the licensee.

1.5 Diagram of audit process



Appendix 1: Example of an audit plan

Background

The Economic Regulation Authority has issued an operating licence to Country Water Services ('CWS') for the provision of potable water supplies in a country region of Western Australia.

Not less than once every two years, CWS is required to provide the Authority with an operational audit report and a report on the effectiveness of its asset management system.

This audit plan is based on the audit guidelines issued by the Authority for the conduct of such audits/reviews.

The proposed audit objectives, approach and reporting are outlined below.

Note. The draft audit plan is required to be approved by the Authority prior to the audit fieldwork commencing.

Audit Objectives and Scope

Operational Audit

The objective of the audit is to provide an assessment of the effectiveness of measures taken by the licensee to maintain the performance and quality standards referred to in the licence.

The audit will identify any areas where improvement is required and recommend corrective action as necessary.

The audit will apply a risk-based audit approach to focus on the systems and effectiveness of processes used to ensure compliance with the standards, outputs and outcomes required by the licence.

The scope of the audit will cover the following areas:

- **risk assessment** – the risks posed by non-compliance with the licence standards and development of a risk-based audit plan to focus on the higher risk areas, with less intensive coverage of medium and low risk areas;
- **process compliance** - the effectiveness of systems and procedures in place throughout the audit period, including the adequacy of internal controls;
- **outcome compliance** – the actual performance against standards prescribed in the licence throughout the audit period;
- **output compliance** – the existence of the output from systems and procedures throughout the audit period (that is, proper records exist to provide assurance that procedures are being consistently followed and controls are being maintained);
- **integrity of performance reporting** – the completeness and accuracy of the performance reporting to the Authority; and
- **compliance with any individual licence conditions** – any specific requirements imposed by the Authority or specific issues for follow-up that are advised by the Authority.

The audit will cover for the period from the previous audit, being 1 October 2003 to 30 September 2006.

Review of Asset Management System

The objective of the asset management system review is to assess the adequacy and effectiveness of the asset management system in place for the planning, construction, operation and maintenance of the licensee's assets.

The review will identify any areas where improvement is required and recommend corrective action as necessary.

The scope of the review will cover the following key processes:

- asset planning;
- asset creation/acquisition;
- asset disposal;
- environmental analysis;
- asset operations;
- asset maintenance;
- asset management information system;
- risk management;
- contingency planning;
- financial planning;
- capital expenditure planning;
- review of AMS.

The review will cover for the period from the previous audit, being 1 October 2003 to 30 September 2006.

Risk Assessment

The planning of the audit includes the preparation of a preliminary risk assessment in respect of the risk of non-compliance with licence obligations. This enables the audit to be focused upon the higher risk areas. This risk assessment will be reviewed and updated during the audit and included in the final report.

The preliminary risk assessment based on the Authority's 'Audit Guidelines: Electricity, Gas and Water Licences' and our initial understanding of the operations of CWS is shown below.

Preliminary Risk Assessment of Licence Compliance

Operating area	Operating Licence reference (Cl.=clause, Sch.=schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk	Adequacy of existing controls (S=strong, M=moderate, W=weak)	Audit Priority (1=highest, 5=lowest)
SERVICE DELIVERY	Cl. 2, 3.5, 4.14					
Water services in designated areas	Sch.1	1	C	Low	Moderate	5
Availability and connection of services	Sch.5	2	C	Medium	Moderate	4
Customer service standards	Sch.7.1	2	C	Medium	Moderate	4
Drinking water system standards	Sch.7.1	3	C	High	Strong	2
Drinking water – health directions	Sch.7.3	3	C	High	Moderate	2
Services by agreement	Sch.7.4	2	C	Medium	Moderate	4
Contractors maintenance of standards	Cl. 6	3	B	High	Weak	1
CUSTOMER SERVICE	Cl. 3.2, 3.4					
Customer complaints	Sch.2	2	B	Medium	Moderate	4
Customer Charter	Sch.3	2	C	Medium	Strong	4
Customer consultation	Sch.4	2	C	Medium	Moderate	4
PERFORMANCE MONITORING	Cl. 3.6, 4.15					
Complaints reporting	Sch.6.1	1	C	Low	Moderate	5
Incident reporting	Sch.6.1	2	B	Medium	Weak	3
Annual performance reporting	Sch.6.3	1	C	Medium	Moderate	4
Compliance with reporting standards	Sch.8	1	C	Low	Moderate	5
INDIVIDUAL STANDARDS	Cl. 4.13					
<i>Details of standards specific to licensee</i>	N/A					

For an explanation of the ratings scales, refer Appendix 1A.

Note: The auditor should review and update the above risk assessment for:

- *changes in consequences, likelihood, adequacy of existing controls (based on the previous audit results and preliminary planning information);*
- *effect of any changes on the inherent risk and audit priority; and*
- *addition of any specific risks applicable to the licensee.*

Audit Approach

The audit approach for a combined operational audit and review of the asset management systems is set out below.

Audit Planning

- Prior to the commencement of the audit, obtain copies of the previous audit report, latest management plans and performance reporting statistics for the audit period.
- Update the risk assessment of the licence requirements in respect of the type of service for any specific factors relevant to the licensee. This usually requires contact with the licensee to gain an understanding of the business, relevant management plans, action taken on the previous audit report, etc prior to the audit visit.
- Submit a draft audit plan, including the risk assessment and proposed audit approach, to the licensee and the Economic Regulation Authority for review and approval prior to the audit visit.

Fieldwork

- Confirm action taken on any previous audit recommendations.
- Undertake the audit visit to the licensee to assess compliance with the following activities:
 - an analysis of documented procedures to assess whether they are consistent with regulatory requirements or arrangements under the licence;
 - a review of systems and procedures to assess whether they reflect compliance obligations and performance standards;
 - an analysis of information systems, procedures and controls for recording and assuring the quality of performance information provided to the Authority (this usually also requires audit testing of the completeness and accuracy of performance reporting to the Authority);
 - an assessment of compliance with the licence obligations over the audit period as well as at the time of audit; and
 - an assessment of any obligations, requirements, issues specific to the individual licensee.
- Perform more extensive audit testing of higher risk areas to provide sufficient assurance and confirm lower risk areas by discussion and observation.
- Update the risk assessment with any new information obtained in the course of the audit testing and, in instances of significant non-compliance, assess the licensee's plan to ensure compliance and recommend any further improvements
- In respect of the asset management system, the review will cover the following:
 - analyse the licensee's documented procedures and processes for the planning, construction, operation and maintenance of assets to assess whether they are consistent with regulatory requirements and arrangements under the licence;

- interview key personnel to assess whether they understand and comply with the documented processes and procedures;
- provide detailed comments on the effectiveness of the key processes of the asset management system; and
- assess the licensee's plan for improvement in instances of significant deficiency and recommend any further improvements considered necessary.

Audit Reporting

- Prior to the conclusion of the audit visit, discuss any observations and recommendations with the representative of the licensee to confirm understanding of the issue and, if possible, to agree upon the action to be taken.
- Provide a draft report to the licensee for review and response to the recommendations in a 'post-audit implementation plan', including the proposed corrective action and timeframe;
- Provide a final draft report, including the post-audit implementation plan, to the Authority for final review and acceptance of the report no later than two weeks before the final report is due;
- Upon acceptance by the Authority, provide a copy of the final report (electronic in Word or PDF format) to the licensee who will then provide an electronic copy and three printed copies of the report to the Authority;
- The Authority may make and publicly distribute copies of the final report and publish results in their entirety or in a comparative report. The Authority will make the report publicly available on the ERA website after the Authority has fulfilled its statutory functions (for example, advising the relevant Minister on the outcome of the review).

Audit Management

<Include details of the audit team, timing and agreed budget.>

Approval

Audit Plan	Name	Position	Date
Prepared by			
Agreed (Licensee)			
Agreed (ERA)			

Appendix 1A – Risk ratings

An explanation of the risk ratings as per the Authority's audit guidelines is provided below.

Consequences

The consequences of the risk occurring are assessed using the ratings in the following table. The consequences of 'supply quality' and 'supply reliability' would generally be rated higher than 'consumer protection' and 'breaches of legislation'.

	Rating	Examples of non-compliance			
		Supply quality	Supply reliability	Consumer protection	Breaches of legislation or other licence conditions
1	Minor	Minor public health or safety issues. Breach of quality standards minor - minimal impact on customers.	System failure or connection delays affecting only a few customers. Some inconvenience to customers.	Customer complaints procedures not followed in a few instances. Nil or minor costs incurred by customers.	Licence conditions not fully complied with but issues have been promptly resolved.
2	Moderate	Event is restricted in both area and time eg. supply of service to one street is affected for up to one day. Some remedial action is required.	Event is restricted in both area and time eg supply of service to one street is affected for up to one day. Some remedial is required.	Lapse in customer service standards is clearly noticeable but manageable. Some additional cost may be incurred by some customers.	Clear evidence of one or more breaches of legislation or other licence conditions and/or sustained period of breaches.
3	Major	Significant system failure. Life-threatening injuries or widespread health risks. Extensive remedial action required.	Significant system failure. Extensive remedial action required.		

Likelihood

The likelihood of the risk occurring is assessed using the ratings in the following table.

	Level	Criteria
A	Likely	Non-compliance is expected to occur at least once or twice a year
B	Probable	Non-compliance is expected to occur once every three years
C	Unlikely	Non-compliance is expected to occur once every 10 years or longer

Inherent Risk

The overall inherent risk is then determined using the following table (a description of each risk rating is also shown below).

Likelihood	Consequence		
	1. Minor	2. Moderate	3. Major
A. Likely	Medium	High	High
B. Probable	Low	Medium	High
C. Unlikely	Low	Medium	High

Description of risk levels

Level	Description
High	Likely to cause major damage, disruption or breach of licence obligations
Medium	Unlikely to cause major damage but may threaten the efficiency and effectiveness of service
Low	Unlikely to occur and consequences are relatively minor

Adequacy of existing controls

The adequacy of existing controls is assessed using the following ratings.

Level	Description
Strong	Strong controls that are sufficient for the identified risks
Moderate	Moderate controls that cover significant risks; improvements could be made
Weak	Controls are weak or non-existent and have minimal impact on the risks

Audit priority

The audit priority is assessed using the following ratings, to determine the audit objectives and the nature and extent of audit testing required for an opinion on the audit objective.

		Adequacy of existing controls		
		Weak	Moderate	Strong
Inherent Risk	High	Audit priority 1	Audit priority 2	
	Medium	Audit priority 3	Audit priority 4	
	Low	Audit priority 5		

For example, an Audit Priority 1 is a 'high risk' area and would usually require extensive controls and/or substantive testing to provide adequate assurance that no major breaches of the relevant licence obligation had occurred during the audit period.

Conversely, an Audit Priority 5 is a 'low risk' area and would only require confirmation by discussion and/or desktop review of documented procedures to confirm that adequate controls exist to comply with the licence obligation.

Appendix 2: Example of an audit report

Introduction

As noted in the Authority's 'Audit Guidelines: Electricity, Gas and Water Licences' section 3.6.1 (performance/operational audit) and 4.5.1 (asset management system review), the auditor should provide a comprehensive report on the results of the audit/review.

An example of the application of the audit guidelines to the report for an integrated operational audit/asset management review of a smaller organisation is set out below.

Executive Summary

- brief background on the type of licence and any major changes since the previous audit
- conclusion on the overall assessment of compliance with the licence obligations
- conclusion on the overall assessment of the effectiveness of the asset management system
- summary of issues and recommendations (include a table with the issue, recommendation and post-audit action plan by the licensee)
- statement signed by the lead auditor that the Authority's guidelines have been complied with in the conduct of the audit/review and the preparation of the report that the audit findings reflect the professional opinion of the auditor

Detailed Report

Background

The report should provide a brief outline of the licensee's services and any significant or planned changes to services or the asset management system since the previous review.

Audit Approach

The report information should specify:

- description of the audit objective, scope and methodology
- period covered by the audit and the dates on which it was conducted
- licensee's representatives participating in the audit
- key documents examined
- compliance ratings scale
- effectiveness ratings scale
- audit team and hours utilised

Operational Audit

1) Introduction

Introduction to this section of the report

2) Summary of Compliance Ratings

The report should provide a table that summarises the licence obligation, the updated risk assessment and the compliance rating using the compliance rating scale. An example is shown below.

Operating area	Operating Licence reference (Cl.=clause, Sch.=schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (Low, Medium, High)	Adequacy of existing controls (S=strong, M=moderate, W=weak)	Compliance Rating (1=significantly non-compliant, 2=non-compliant, 3=partially compliant, 4= compliant, 5=fully compliant)				
						1	2	3	4	5
SERVICE DELIVERY						1	2	3	4	5
Water services in designated areas	Cl.2(b), Sch.1	1	C	Low	Strong					
Availability / connection of services	Cl.12(b)	2	C	Medium	Strong					
etc										

3) Status of Previous Audit Recommendations

The report should provide a summary of the action taken to rectify findings in the previous audit report and any further recommendations for improvement in these issues. Refer example in Appendix 2A.

4) Observations and Recommendations

The report should provide a table (refer example in Appendix 2B) showing for each licence obligation:

- an outline of the licence obligation;
- the systems and procedures that have been established to comply with the licence obligation, including relevant documents and responsible positions;
- details of any non-compliance or breaches of the licence obligations, including the potential impact/materiality and the action (if any) being undertaken by the licensee to rectify them and an assessment of the adequacy of this action;
- any recommendations for improvement; and
- the compliance rating.

5) .Integrity of Performance Reporting

The report should provide an opinion on the integrity of performance reporting to the Authority.

6) *Changes to the Licence*

The report should note any recommended changes to the licence where the auditor considers the existing licence does not adequately address the risks.

7) *Post-Audit Implementation Plan*

The final report should include a post-audit implementation plan from the licensee that advises the action to be taken on each recommendation including the timeframe. This could be a separate document or incorporated into this report.

8) *Conclusion*

The report should provide a conclusion on the overall level of compliance and the effectiveness of measures taken by the licensee to maintain the performance and quality standards referred to in the licence.

Asset Management System Review

1) *Introduction*

Introduction to this section of the report

2) *Summary of Effectiveness Ratings*

The report should provide a table that summarises the auditor's assessment of the effectiveness ratings for each key process in the licensee's asset management system. An example is shown below.

ASSET MANAGEMENT SYSTEM		Not performed	Performed informally	Planned and tracked	Well defined	Quantitatively controlled	Continuously improving
Process	Effectiveness rating	0	1	2	3	4	5
Asset planning							
Asset creation/ acquisition							
Asset disposal							
Environmental analysis							
Asset operations							
Asset maintenance							
Asset Management Information System							
Risk management							
Contingency planning							
Financial planning							
Capital expenditure planning							
Review of AMS							

3) *Status of Previous Review Recommendations*

The report should provide a summary of the action taken to rectify findings in the previous review report and any further recommendations for improvement in these issues. Refer example in Appendix 2A.

4) *Observations and Recommendations*

The report should provide a table (refer example in Appendix 2C) showing for each of the key processes in the asset management system ('AMS'):

- the effectiveness criteria considered;
- observations on the systems and procedures that have been established in the AMS, including key documents and responsible positions;
- details of any deficiencies identified, recommended improvements;
- any action being taken already by the licensee to rectify the deficiencies and an assessment of the adequacy of this action; and
- the audit assessment of the effectiveness rating for the process.

5) *Changes to the Licence*

The report should note any recommended changes to the licence where the auditor considers the existing licence does not adequately address the risks.

6) *Post-Review Implementation Plan*

The final report should include a post-review implementation plan from the licensee that advises the action to be taken on each recommendation including the timeframe. This could be a separate document or incorporated into this report.

7) *Conclusion*

The report should provide a conclusion on the overall adequacy and effectiveness of the asset management system in place for the planning, construction, operation and maintenance of the licensee's assets.

Appendix 2A – Review of Previous Audit Recommendations

Item No.	Recommendation	Action Taken	Closed Y/N

Appendix 2B – Operational Audit - Observations and Recommendations

Licence ref.	Licence obligation	Audit priority (1=highest, 5=lowest)	Observations on system established to comply with licence obligation (including any recommendations)	Compliance rating (0 to 5)
	Example only			
<i>Objective: Determine whether Country Water Services has complied with the minimum technical standards for drinking water published by the Health Department</i>				
Sch7.2.2	<p>Drinking Water System – Pressure and Flow</p> <p>Subject to customers complying with Licensee requirements the Licensee shall ensure that over each 12 month period subsequent to the granting of this Licence at least 99.8% of customers connected to its water systems shall have, at the outlet of the water meter to their property, water pressure and flow as listed in the following table.</p> <p><i>(Table omitted)</i></p>	2	<p>CWS has an extensive monitoring program in place to ensure an adequate water flow and pressure to its customers. This includes:</p> <ul style="list-style-type: none"> ▪ SCADA system data is used for the design of networks and to check on potential low-pressure areas; ▪ Alarms are linked to bores, variable speed pumps and reservoirs to inform Operations of low pressure levels or pump failures; and ▪ Operations personnel have portable hand held pressure gauges to test pressures when performing maintenance. <p>Sighted records kept by Operations for the audit period of low pressure reports and confirmed evidence of action being taken to resolve the incidents.</p> <p>Performance indicator for the audit period shows that 99.8% compliance was achieved.</p>	5 Fully compliant

Appendix 2C – Asset Management System - Observations and Recommendations

Item no.	Effectiveness criteria (refer AMS Effectiveness Matrix)	Observations and recommendations	Effectiveness rating ²
	Example only		
5	RISK MANAGEMENT		
	<ul style="list-style-type: none"> ▪ Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system ▪ Risks are documented in a risk register and treatment plans are actioned and monitored ▪ The probability and consequences of asset failure are regularly assessed 	<p>A partial and informal risk assessment has been performed. A more formal risk assessment approach is recommended. The approach need not be too complicated but should use the following approach:</p> <ul style="list-style-type: none"> ▪ Identify potential risks for the asset and its operations; ▪ Assess the likelihood of each risk as likely, possible or unlikely; ▪ Assess the consequences as minor, moderate or major; ▪ Calculate the risk as high, medium or low based on the likelihood and consequences of each risk; ▪ Identify the controls in place to mitigate the risks given their level and whether they are adequate; ▪ Identify and implement suitable actions to deal with inadequate controls; and ▪ Review risks on a regular basis for any changes and update accordingly. 	1

END OF DOCUMENT

² Effectiveness ratings: 0=no process, 1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving