



Preston Valley Irrigation Co-Operative Limited

Audit Report
Operational Audit and
Asset Management Review
- Irrigation Schemes

FINAL
2 May 2007

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Executive Summary

INTRODUCTION

The Preston Valley Irrigation Co-operative ('PVIC') has a water services licence issued by the Economic Regulation Authority ('ERA') to provide irrigation and non-potable water supplies and services to the Preston Valley region of Donnybrook.

The system at Preston Valley services approximately 62 customers. The system is quite simple - during the irrigation season, water is released into the river from the Glen Mervyn dam and the irrigators pump water from the river.

This audit comprised an Operational Audit of PVIC's compliance with the licence conditions and a review of the Asset Management System.

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

The objective of the Asset Management Review was 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 audit applied a risk-based audit approach to focus on the systems and effectiveness of processes used to ensure compliance with the standards, outputs and outcomes required by the licence.

The audit covered the period from the previous audit from the 1st November 2003 to 31st January 2007.

CONCLUSION

Operational Audit

The audit concluded that PVIC has generally good controls to ensure compliance with the licence. Most of the issues from the previous audit have been addressed although these were more a result of changes in licensing requirements that had not yet been implemented rather than any specific problems. The audit confirmed that the Co-operative has a well established process to ensure compliance with the licence requirements.

The main areas noted for improvement are providing greater details in the Customer Charter regarding complaints, and the inclusion of some extra items in PVIC's agenda for the Annual General Meeting.

Asset Management Review

The audit review of the asset management system concluded that base practices are in place, and the processes are planned and tracked. The main improvement opportunities relate to including the age and expected life of assets in the asset register, taking data backups from the office PCs, establishing a formal risk register, more details in the financial forecast and a more formalised review process for the asset management plan. Overall, the asset management plan and processes are considered appropriate and adequate given the scale and nature of PVIC's operations.

SUMMARY OF ISSUES AND RECOMMENDATIONS

The following table provides a summary of the issues and recommendations for the operational audit and asset management review with provision for management responses from PVIC.

SIGN-OFF

We confirm that the ERA Audit Guidelines have been complied with in the conduct of this audit and the preparation of the report, and that the audit findings reflect our professional opinion.



GEOFF WHITE

PARTNER

2 MAY 2007

Summary of Issues and Recommendations

No.	Issue	Recommendation	Management Response	Person Responsible	Completion Date
1	Operational Audit				
1.1	<p>Customer Charter - Customer Complaints</p> <p>PVIC has a customer complaints system in place as required under their operating licence, and its availability is outlined to customers in the Customer Charter.</p> <p>However, the complaints resolution process is not fully documented in the Customer Charter, and does not include information on the full process including the Disputes Committee and how they are selected.</p>	<p>Although the number of complaints is very small for the scheme, PVIC should fully document its complaint procedures to provide a greater transparency in its operations and to inform its stakeholders.</p>	<p><i>PVIC Secretary will update the customer complaint process and advise customers. The update will also be included in the newsletter for July 2007.</i></p> <p><i>The updated complaints process is to be included in the Customer Charter July 2007</i></p>	PVIC Secretary	July 2007
1.2	<p>Customer Charter - Office of Water Policy Referrals</p> <p>Although the Customer Charter directs complainants to the OWP, it is silent on the OWP's option to mediate or arbitrate. Other irrigators have included this in their customer charters.</p>	<p>The information on OWP's option to mediate or arbitrate should be included in the Customer Charter, as done by other irrigators.</p>	<p><i>PVIC Secretary will update the customer complaint process and advise customers of OWR mediatory or arbitrary role. The update will also be included in the newsletter for July 2007.</i></p> <p><i>The updated complaints process is to be included in the Customer Charter July 2007</i></p>	PVIC Secretary	July 2007

No.	Issue	Recommendation	Management Response	Person Responsible	Completion Date
1.3	<p>Customer Charter – Opening and Closing of the Season</p> <p>The Customer Charter is written in clear and straightforward English and appears to address most of the likely issues. One area of improvement could be to provide more information on the opening and closing of the season and how this is determined.</p>	<p>PVIC should update their Customer Charter during the next review to include information on how the opening and closing of the season is determined.</p>	<p><i>PVIC Secretary will update the customer complaint process and advise customers of the methodology used to determine the opening and closing of irrigation seasons. The update will also be included in the newsletter for July 2007.</i></p> <p><i>The opening and closing of irrigation season process is to be included in the Customer Charter July 2007.</i></p>	<p>PVIC Secretary</p>	<p>July 2007</p>
1.4	<p>AGM Agenda</p> <p>PVIC holds an Annual General Meeting ('AGM') every year and also calls additional meetings when required. The previous AGM Agenda included Fees and Charges, but did not specifically include the season opening and closing conditions or the Scheme operation as required in clause 17(b) of their operating licence.</p>	<p>PVIC should ensure that the AGM Agenda includes the items of 'Season Opening and Closing Conditions' and 'Scheme Operation'.</p>	<p><i>Waterman to present report at next and future AGM.</i></p>	<p>PVIC Waterman</p>	<p>Next PVIC AGM</p>
2	Asset Management Review				
2.1	<p>Asset Planning</p> <p>The asset life is not included in the Asset Register. This can assist in planning and budgeting for repairs and maintenance, particularly if a large number of the water meters</p>	<p>PVIC to include the asset life in the Asset Register, together with the expected life of water meters.</p>	<p><i>AMP committee estimated meter life to be 30yrs and to be included on AMP. Secretary/Bookkeeper to update records October 2007.</i></p>	<p>PVIC Secretary/ Bookkeeper</p>	<p>October 2007</p>

No.	Issue	Recommendation	Management Response	Person Responsible	Completion Date
	were bought at the same time.				
2.2	<p>Security of the Computer System</p> <p>Both of the PCs used in PVIC's office require a user name and password to start. However there is no time-out function to lock the computer after a period of inactivity.</p> <p>Also, data back-up is currently limited to having a copy of the important files on both office PCs. There is a risk that if the office is damaged, the data may be lost.</p>	<p>PVIC to set the inactivity parameter for the office PCs to log users out after 20 minutes of inactivity.</p> <p>PVIC to purchase encrypted USB key drives for weekly/monthly backup of hard-drives with the USB key drives being kept off-site.</p>	<p><i>2 x 512mg usb pens to be purchased. Director to take exchange and hold one back up each month. Secretary to purchase by April 2007.</i></p>	PVIC Secretary	April 2007
2.3	<p>Risk Register</p> <p>Risk analysis is currently limited to major risks only. There is no evidence of a complete risk analysis, including an assessment of the likelihood or consequences, mitigation actions and responsibility for management of the risk.</p>	<p>PVIC should create a formal risk register that is to be included in the AMP as an Appendix. This should include a formal assessment of risk including the risk owner, likelihood and consequences, a risk rating and description of the controls in place to mitigate the risk. The register should be reviewed and updated at least annually.</p>	<p><i>PVIC Directors will place this item on the agenda for their next full AMP review meeting. This is planned for October 2007.</i></p>	PVIC Directors	October 2007
2.4	<p>Financial Planning</p> <p>The Asset Management Plan projections include an Income and Expenditure Statement but do not include a projected Balance Sheet showing the forecast Asset and Liability position.</p> <p>Also, the plan does not include budgeted versus actual comparisons in the historical data.</p>	<p>PVIC to include more financial information in the Appendices to the Asset Management Plan, to provide a better analysis of past performance and to assist future planning, including:</p> <ul style="list-style-type: none"> ▪ Actual/budget income and expenses for the past three years; 	<p><i>Items to be included at commencement of new financial year. Secretary/Bookkeeper to complete.</i></p>	PVIC Secretary/ Bookkeeper	July 2007

No.	Issue	Recommendation	Management Response	Person Responsible	Completion Date
		<ul style="list-style-type: none"> ▪ Balance Sheet and Operating Statement projections; and ▪ Possible scenarios such as continued downward trends or a stabilisation of demand. 			
2.5	<p>Review of the Asset Management System</p> <p>Reviews are taking place at least on an annual basis but these are not formally documented in the Asset Management Plan.</p>	<p>PVIC to document the review process in the Asset Management Plan, including information such as who is involved, what is reviewed and how frequently it is reviewed.</p>	<p><i>AMP committee to be formed and review processes documented. Due in October 2007</i></p>	<p>PVIC AMP Committee</p>	<p>October 2007</p>

1. Background

Preston Valley Irrigation Co-operative ('PVIC') has a water services licence issued by the Economic Regulation ERA to provide irrigation and non-potable water supplies and services to the Preston Valley region of Donnybrook.

The system at Preston Valley services approximately 62 customers. The system is quite simple - during the irrigation season, water is released into the river from the Glen Mervyn dam and the irrigators pump water from the river.

The Preston Valley Irrigation scheme was established in 1998, when the Water Corporation handed over the scheme assets to the Preston Valley Irrigation Co-operative. A \$1 million project was also undertaken to raise the Preston Valley's Glen Mervyn Dam to increase storage capacity by 50 per cent, in order to provide additional water for more than 240 hectares of irrigated land in Preston Valley.

The Preston Valley Irrigation Scheme is the smallest and simplest scheme of its type in Western Australia. Out of the irrigation season, the natural river flow provides water to irrigators; during the irrigation season, the water flow from the Mervyn Dam provides a constant flow of water to the irrigators.

The river has also been fitted with two riffles to hold water in certain parts of the river allowing Irrigators to pump from the river. The Canoe course near the Donnybrook town site is also used for this purpose. Water flow from these is monitored and regulated by the Waterman employed by PVIC. The two riffles and the water meters that each customer pumps through are the only assets held by PVIC.

There has been a decline in demand from Irrigators over the past few years. PVIC attributes this to a number of factors, including an increase in efficiency by irrigators, and a decline in fruit crops. A lot of the farms are also being subdivided into smaller hobby farms.

PVIC was initially granted an Operating Licence under the Water Services Coordination Act 1995 by the Western Australian Coordinator of Water Services on the 29th of June 1998 for the operation of water services (irrigation) in Preston Valley. The licence was renewed by way of substitution, on the 19th of May 2003. On the 1st of October 2004 the Economic Regulation ERA took over the responsibility of licence monitoring and issued by way of substitution a replacement licence.

The two main operational roles are the Company Secretary and the Waterman. Both are part-time roles. The Waterman is responsible for monitoring and repairs and maintenance. The Company Secretary handles the administrative side of the business. The Board of Directors are also involved in the running of the organisation.

2. Audit Approach

2.1 OBJECTIVES AND SCOPE

2.1.1 Operational Audit

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

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

The scope of the audit covered the following:

- 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 ERA; and
- Compliance with any individual licence conditions – any specific requirements imposed by the ERA or specific issues for follow-up that are advised by the ERA.

2.1.2 Asset Management Review

The objective of the Asset Management Review was 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 scope of the review covered the following:

- the adequacy of the asset management system by considering the outputs of the system such as the operations and maintenance plans, financial plans and asset registers; and
- the effectiveness of the asset management system by considering the systems established for the planning, construction, operation and maintenance of works.

The review identified areas where improvement is required and recommended corrective action as necessary.

2.2 AUDIT PERIOD AND TIMING

The audit covered the period since the previous three-yearly audit, namely 1st November 2003 to 31st January 2007. The field audit visit was conducted on 15 February 2006.

2.3 LICENSEE'S REPRESENTATIVES PARTICIPATING IN THE AUDIT

- Peta Trigwell – Secretary and Accountant
- Fred Drake-Brockman - Chairman

2.4 KEY DOCUMENTS EXAMINED

- PVIC Operating Licence, dated 1st October 2004
- Report on Operational Audit and Asset Management Review for the period November 2000 to October 2003
- Performance Reports to ERA for 2004, 2005 and 2006
- Customer Service Charter
- Asset Management Plans for PVIC, dated 31st December 2006
- PVIC Annual Report to the 30th June 2006
- PVIC Annual Report to the 30th June 2005
- PVIC Annual Report to the 30th June 2004
- PVIC Annual Newsletter dated 30th July 2004
- PVIC Annual Newsletter dated 30th June 2005
- PVIC Annual Newsletter dated 8th August 2006
- PVIC AGM Agenda for 25th September 2006
- PVIC AGM Minutes for 25th September 2006
- PVIC Information for Prospective Irrigators
- PVIC Water Entitlement Application
- PVIC Secretarial Procedures
- PVIC Water Supply Operational Guidelines
- PVIC Water Contamination Policy
- Records of fault advice/ complaints
- Correspondence and Operations files as requested

2.5 COMPLIANCE RATINGS

PVIC's compliance with the licence obligations was assessed using the following compliance ratings.

NAME	RATING	DESCRIPTION
FULLY COMPLIANT	5	Compliant - no further action required
COMPLIANT	4	Compliant apart from minor issues and recommendations
PARTIALLY COMPLIANT	3	Meets minimum requirements in most areas but improvements are required to maintain compliance
NON-COMPLIANT	2	Does not meet minimum requirements
SIGNIFICANTLY NON-COMPLIANT	1	Significant weaknesses and/or serious action required

2.6 EFFECTIVENESS RATINGS

The effectiveness of key processes in the asset management system was assessed using the following effectiveness ratings.

NAME	RATING	DESCRIPTION
Continuously improving	5	Continuously improving organisation capability and process effectiveness
Quantitatively controlled	4	Measurable performance goals established and monitored
Well-defined	3	Standard processes documented, performed and coordinated
Planned and tracked	2	Performance is planned, supervised, verified and tracked
Performed informally	1	Base practices are performed

2.7 AUDIT TEAM AND HOURS

CONSULTANT	POSITION	HOURS
Geoff White	Partner	8
Shane Gallagher	Senior Consultant	25
	Total	33

3. Operational Audit

The preliminary risk assessment included in the Audit Plan was reviewed and updated in the course of the audit and a compliance rating using the scale in section 2.5 was assigned to each obligation under the licence, as shown in Section 3.1.

Section 3.2 provides details of the current status of key recommendations from the previous audit.

Section 3.3 provides further details of the systems and the compliance assessment for each obligation.

3.1 SUMMARY OF COMPLIANCE RATINGS

The audit assessment of the compliance ratings for each licence condition is shown in the table 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										
Water services in designated areas	Cl.2(b), Sch.1	1	C	Low	Strong	✓	✓	✓	✓	✓
Availability / connection of services	Cl.12(c)-(e) (g)	2	C	Medium	Moderate	✓	✓	✓	✓	✓
Adherence to Regulation	Cl.5	2	B	N/A						
Adherence to Technical Standards	Cl.8	2	C	N/A						
Adherence to industry codes	Cl.9	2	C	N/A						
Accounting records prepared to standard	Cl.10	2	B	Medium	Moderate	✓	✓	✓	✓	✓
Pricing/charges adhere to legislation	Cl.11	2	C	Medium	Strong	✓	✓	✓	✓	✓
Emergency telephone service operational	Cl.15(c)	3	C	High	Moderate	✓	✓	✓	✓	✓
Customer service standards	Cl.12(i)(j)(k)	2	C	Medium	Moderate	✓	✓	✓	✓	✓
Non potable water – health directions	Cl.15(b)	3	B	High	Moderate	✓	✓	✓	✓	✓
Services by agreement	Cl.16	2	C	Medium	Strong	✓	✓	✓	✓	✓
Contractors maintenance of standards	Cl.12(a)(b)	3	B	High	Moderate	✓	✓	✓	✓	✓
CUSTOMER SERVICE										
Customer complaints	Sch.19	2	B	Medium	Weak	✓	✓	✓		
Customer Charter	Sch.18	2	C	Medium	Moderate	✓	✓	✓	✓	
Customer consultation	Sch.17(a)-(d)	2	C	Medium	Moderate	✓	✓	✓	✓	✓
PERFORMANCE MONITORING										
Customer survey	Cl.17(e)	1	C	N/A						
Incident reporting	Cl.14(a)(b)	2	B	Medium	Moderate	✓	✓	✓	✓	✓
Annual performance reporting	Cl.14(a), Sch.3	2	B	Medium	Moderate	✓	✓	✓	✓	✓
Compliance with reporting standards	Cl.15(a), Sch2	2	B	Low	Moderate	✓	✓	✓	✓	✓
INDIVIDUAL STANDARDS	N/A									

3.2 PREVIOUS AUDIT RECOMMENDATIONS

The status of the key recommendations in the previous audit report issued in May 2003 is summarised below.

Item No.	Recommendation	Action Taken	Closed
1	<p>Prices and Charges</p> <p>Prices and charges are being set by PVIC at their AGM, generally in September each year. However there was no evidence that these rates and the methodology for determining the rates were provided to the Regulator.</p>	<p>PVIC has been reporting on prices and charges to the ERA. Copies of the correspondence were sighted.</p>	Yes
2	<p>Specified Information to be Provided</p> <p>With the change-over to the new licence on 19 May 2003, PVIC was required to provide additional information to the Regulator at the end of each financial year.</p> <p>PVIC needs to update its information systems to meet the additional requirements, and also to report this information in a timely manner.</p>	<p>PVIC has been supplying the required information to the ERA. Copies of the correspondence were sighted.</p>	Yes
3	<p>Performance of the Functions by the Licensee</p> <p>The current, amended Licence, dated 19 May 2003, was issued after the last irrigation season. The current licence requires that performance standards are reported on a 12 month basis. PVIC has yet to report on the first full 12 months of operation since the introduction of the new standards. It is recommended that PVIC establish an appropriate system to measure and capture the necessary information required in Schedule 2 of the Licence.</p> <p>Customers are not being advised that the non-potable water provided is not suitable for drinking. This is considered a minor</p>	<p>PVIC is now reporting on their requirements as stipulated in Schedule 2 of their Licence. Copies of the correspondence were sighted.</p> <p>The unsuitability of the non-potable water for drinking is now clearly stated in the annual newsletter, as is the emergency telephone system.</p>	Yes

Item No.	Recommendation	Action Taken	Closed
	<p>issue as all the water provided by PVIC is supplied via the Preston River. PVIC proposes to notify its customers about the unsuitability of the water for drinking via their annual newsletter.</p> <p>It is also recommended the emergency telephone system number be advised to customers via the Newsletter.</p>		
4	<p>Customer Charter</p> <p>The initial Customer Charter prepared in 1998 has not been reviewed. It is recommended that PVIC review the charter by 19h May 2006 or earlier.</p> <p>PVIC is not meeting the Licence requirements in relation to availability of its Charter to its customers. It is recommend that:</p> <ul style="list-style-type: none"> • the Charter is displayed at the entrance of the PVIC office, and • customers be advised of the availability of the Customer Charter in the annual Newsletter. 	<p>The cover of the Customer Charter states that it was reviewed on the 2nd August 2006. The Charter was on display at the entrance to the PVIC office and its availability was noted in the annual newsletters.</p>	Yes
5	<p>Sole Provider Operating Area</p> <p>A discrepancy was noted between the Operating Area Plan Number detailed in the Operating Licence and the number on the Plan. The correct Plan Number is OWR-OA-193.</p> <p>It is recommended that PVIC and OWR liaise to correct this typographical error.</p>	<p>This has been corrected as was noted in the current Operating Licence issued by the ERA.</p>	Yes
6	<p>Information to be Provided to the Coordinator</p> <p>It is recommended that PVIC provide the required information by 31 January 2004.</p>	<p>Information provided – correspondence sighted.</p>	Yes

3.3 AUDIT RESULTS AND RECOMMENDATIONS

Licence Ref.	Licence Obligation	Audit Priority (Low, Medium, High)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
Cl.2(b)	Water Services in Designated Areas The Licence permits the provision of Water Services within the Operating Areas described in Schedule 1 of this Licence subject to compliance with the requirements of the Licence.	Low	Discussions with the Chairman and Secretary confirmed that water services are currently only provided by PVIC in the area indicated within schedule 1. Potential customers further down the river have expressed an interest in access to the water services, but PVIC is aware that it will need to update their licence with the ERA.	5
Cl.12(c)	Connection of New Services The Licensee shall ensure that its Water Services are available for Connection on request to any land situated in the Operating Area, subject to the applicant meeting any reasonable conditions the Licensee may determine to ensure safe, reliable and financially viable supply of services to land in the Operating Area in accordance with this Licence and any relevant legislation. Satisfactory compliance with the conditions of connection are an essential requirement of gaining approval to connect to the Licensee's schemes.	Low	Prospective irrigators are given an information pack including an application form and Customer Charter. Discussions with the Chairman and Secretary indicate that new connections are primarily for non-potable household use.	5
Cl.12(d)	Availability of Services The Licensee shall ensure that its services are available between the specified hours to any customer meeting any conditions the Licensee may determine to ensure safe, reliable and financially viable supply of services.	Low	Discussions with the Chairman and Secretary confirmed that PVIC has a schedule for water availability which is negotiated between the waterman and the customers. Based upon their experience, this has been fine-tuned over time to increase reliability and efficiency.	5

Licence Ref.	Licence Obligation	Audit Priority (Low, Medium, High)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
CI.12(e)	<p>Availability of Supply</p> <p>The Licensee shall make water available to customers at any time for non-potable purposes (subject to the terms of this Licence) on terms and conditions agreed between those customers and the Licensee, subject to availability of supply.</p>	Low	Discussions with the Chairman and Secretary revealed that there are now domestic users with the same access as irrigators.	5
CI.12(g)	<p>Availability of Unallocated Supply</p> <p>The Licensee shall ensure that unallocated water is made available to land within its Operating Area under conditions and charges determined by the Licensee and approved by the ERA subject to the applicant complying with those conditions and charges. These conditions may include cessation of the service to a customer subject to terms and conditions governing non-payment of accounts.</p>	Low	PVIC is currently supplying water at well below their capacity due to a decrease in demand. The local golf course (18 holes) may have their access to town water limited and could be a potential new customer. Domestic users have recently been added with the same conditions as irrigators.	5
CI.5	<p>Adherence to Regulation</p> <p>The Licensee shall comply with Regulations prescribing standards of service made under section 61 of the Act.</p>	N/A	No regulations had been published at the time of the audit.	N/A
CI.8	<p>Adherence to Technical Standards</p> <p>The Licensee is to comply with the technical standards for the provision of Water Services and the undertaking, maintenance and operation of Water Services works; published by the ERA in the Government Gazette.</p>	Medium	No relevant technical standards had been published in the Government Gazette at the time of the audit.	N/A
CI.9	<p>Adherence to Industry Codes</p> <p>No codes have been specified under this clause.</p>	N/A	N/A	N/A

Licence Ref.	Licence Obligation	Audit Priority (Low, Medium, High)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
CI.10(a)	<p>Accounting Records</p> <p>The Licensee shall keep such accounting records as correctly record and explain its transactions and financial position and so keep its accounting records to ensure that:</p> <ul style="list-style-type: none"> (i) true and fair accounts of the Licensee can be prepared from time to time; and (ii) its accounts can be conveniently and properly audited or reviewed. 	Medium	<p>PVIC uses MYOB as its accounting package and Excel is used for any additional worksheets.</p> <p>The annual reports for the period of review were inspected and noted to have been audited and signed off by PVIC's external auditor as "true and fair".</p>	5
CI.10(b)	<p>Annual Reports</p> <p>The Directors shall, within four months of the end of the financial year:</p> <ul style="list-style-type: none"> (i) cause to be produced a profit and loss account that gives a true and fair view of the Licensee's profit or loss for that financial year; and (i) cause to be produced a balance sheet that gives a true and fair view of the Licensee's state of affairs as at the end of the financial year. 	Medium	<p>PVIC's previous three Annual Reports were inspected:</p> <ul style="list-style-type: none"> - 2005/2006 dated 7/09/2006; - 2004/2005 dated 10/08/2005; and - 2003/2004. <p>These had been audited and signed off by the auditor, Malcolm Frost CPA.</p>	5
CI.10(c)	<p>Accounting Standards</p> <p>The Licensee's financial statements are to be in the form of a general purpose financial report as defined in the accounting standards.</p>	Medium	<p>PVIC's external auditor has confirmed that the Annual Reports are in accordance with the accounting standards.</p>	5

Licence Ref.	Licence Obligation	Audit Priority (Low, Medium, High)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
Cl.10(d)	Qualified Auditor The Directors shall take reasonable steps to ensure that the Licensee's financial statements are audited by a Registered Cooperative Auditor and submitted to the ERA within four months of the end of the financial year.	Medium	Confirmed that the auditor Malcolm Frost was listed on the latest register of co-op auditors from the DOCEP website dated: 19/6/06. Checked the dates of correspondence from ERA to PVIC.	5
Cl.10(e)	Confidentiality of Financial Statements Financial statements produced and submitted to the ERA under the requirements of this Licence shall, subject to the ERA's statutory duties, be treated confidentially. This paragraph shall not apply to aggregated or non-identifying information.	Medium	N/A	N/A
Cl.11(a)	Pricing and Charges Adhere to Legislation On 1 July 2003 and on an annual basis thereafter the Licensee will provide a written submission on its proposed prices or charges and the methodology for determining prices or charges to the ERA for approval.	Medium	Checked copies of correspondence confirming that the current pricing was provided to the ERA by PVIC for the audit period. Discussed the method of calculation for prices and charges with PVIC.	5
Cl.11(b)	Pricing and Charges Amendments Any proposed subsequent amendment to prices and charges must also be forwarded to the ERA for approval.	Medium	Checked copies of correspondence and confirmed that PVIC pricing was approved by the ERA for the audit period.	5
Cl.15(c)	Emergency Telephone Service is Operational The Licensee shall implement an emergency telephone system so a Customer can report an emergency and receive advice within two hours of the action to be taken by the Licensee. An emergency is an event which causes, or threatens to cause, harm to people, the environment or property.	Low	Checked this is in place. The Waterman's mobile number is used - also confirmed that the number had been in the Annual Newsletter for the audit period. Noted during the audit that the mobile reception was reasonable in the area.	5

Licence Ref.	Licence Obligation	Audit Priority (Low, Medium, High)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
CI.12(i)	<p>Customer Service Standards</p> <p>The Licensee shall give all customers within the Operating Area at least five days notice of the opening of each irrigation season, and shall give at least five days notice of the closure of each irrigation season. The decision on openings and closures shall be made by the Licensee, based on demand for water being at a level for efficient operation of the system and the availability of water for distribution.</p>	High	<p>Letters checked to ensure adequate notice was given for the period - all letters noted to be at least 5 days before the opening and closing of the season.</p> <p>Discussions with the Chairman and Secretary confirmed that decisions regarding the season are made according to operational efficiency and water availability.</p>	5
CI.12(j)	<p>Notice of Disruptions</p> <p>The Licensee shall provide all affected customers at least 14 days written notice of planned disruptions to supply, outlining the reason for the disruption and the expected duration.</p>	High	<p>The Chairman and Secretary were aware of this requirement during discussions but during the audit period there were no disruptions.</p>	5
CI.12(k)	<p>Emergency Shutdowns</p> <p>In the event of an emergency shutdown of supply, the Licensee shall contact affected customers within 6 hours of the shutdown and advise them of the reason for the shutdown and its expected duration and report on compliance with this requirement per Schedule 3.</p>	High	<p>The Chairman and Secretary were aware of this requirement during discussions but during the audit period there were no emergency shutdowns of supply.</p>	5
15(b)	<p>Non Potable Water - Health Directions</p> <p>The Licensee shall provide annual notification to all Customers provided with Non-Potable Water that the water supplied is not suitable for drinking.</p>	High	<p>Checked the Customer Charter and the Annual Newsletters for the three years covered in the audit to ensure there was adequate reference to the unsuitability of the water for drinking purposes.</p>	5
16(a)	<p>Services by Agreement</p> <p>The Licensee may enter into agreements with Customers to provide Water Services.</p>	Low	<p>PVIC currently has 62 customers per the latest management report to the Board.</p>	5

Licence Ref.	Licence Obligation	Audit Priority (Low, Medium, High)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
16(b)	The Licensee may not enter into an agreement with a Customer that excludes, modifies or restricts the terms and conditions of the Licence without the prior written approval of the ERA.	Low	A standard agreement is in place for irrigators and domestic users.	5
12(a)	Contractors Maintenance of Standards The Licensee may engage persons to provide water services which are the subject of the Licence.	High	Contractors were used for the creation of two riffles used to maintain the water level in different parts of the river. The Company Secretary is also currently under a contractual agreement. The Waterman is a part-time employee.	5
12(b)	Notwithstanding the engagement of any person or persons to provide Water Services on its behalf, the Licensee remains responsible to ensure those services comply with the terms and conditions of the Licence and with the relevant legislation.	High	The Directors are actively involved in the running of PVIC and the Chairman and Company Secretary seemed well aware of the compliance requirements.	5
19(a)	Customer Complaints The Licensee shall establish a system for recording, managing and resolving Complaints by Customers within 21 days regarding a provided or requested Water Service.	High	A system is in place and its availability is outlined in the Customer Charter. However, the complaints resolution mechanism is not fully documented. Recommendation: Although the number of complaints is very small for the scheme, PVIC should fully document the complaint procedures to provide a greater transparency in its operations.	3
19(b)	To ensure the effectiveness of such a process the licensee shall, as a minimum: (i) establish a system for providing each aggrieved customer with a unique identifying complaint number; (ii) provide an appropriate number of designated officers who are trained to deal with customer complaints and who are	High	(i) The complaints register was inspected. One complaint was noted, this was dealt with within the required time period. (ii) The Disputes Committee consists of three directors and two members, they are elected at the AGM. (iii) The availability of the complaints process is mentioned in the charter. An informal protocol has been established, and a complaints panel is chosen	3

Licence Ref.	Licence Obligation	Audit Priority (Low, Medium, High)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
	<p>authorised to, or have ready access to officers who are authorised to make the necessary decisions to settle customer complaints or disputes, including where applicable, approving the payment of monetary compensation;</p> <p>(iii) establish a complaint resolution protocol which is designed to resolve the customer complaints or disputes within 21 days of being notified of its existence; and</p> <p>(iv) provide a system for accurately monitoring and recording the number, nature and outcome of complaints in order to fulfil the requirements to provide information set out in this Licence."</p>		<p>at the AGM from members who are not directors.</p> <p>(i) A complaints register is in place. This records the date the complaint was received and time taken to resolve, along with the complainants details and the nature of the complaint. This was kept on file in the office and sighted during the site visit.</p>	
19(c)	Where a dispute arises between a Customer and the Licensee regarding a provided or requested Water Service, the Customer may refer the dispute to the Office of Water Policy.	High	This is included in the Customer Charter.	5
19(d)	Where a dispute has not been resolved within 21 days the Licensee shall inform the Customer of the option of referring their Complaint to the Office of Water Policy.	High	This is included in the Customer Charter.	5
19(e)	<p>"The Office of Water Policy (OWP) may:</p> <p>(i) mediate the dispute; or</p> <p>(ii) direct the Licensee and Customer to binding arbitration, using an arbitration process set down by the Office of Water Policy."</p>	High	<p>Although the Customer Charter directs complainants to the OWP, it is silent on OWPs option to mediate or arbitrate.</p> <p>Recommendation: The information on OWP's option to mediate or arbitrate should be included in the charter as has been for some of the other irrigators.</p>	3

Licence Ref.	Licence Obligation	Audit Priority (Low, Medium, High)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
19(e)	During the process of investigation and conciliation, the Licensee shall make every endeavour to promptly cooperate with the Office of Water Policy's (or its representative's) requests, which shall include the expeditious release of any information or documents requested by the Office of Water Policy and the availability of the relevant staff of the Licensee.	High	No complaints have been forwarded to the OWP.	N/A
19(f)	The Licensee shall, on request, provide the Office of Water Policy with details of complaints made, names and addresses of customers who have made complaints, and the manner in which the complaint was managed and resolved.	High	PVIC advised that no complaints have had to be forwarded to the OWP. The Customer Charter expresses PVIC's willingness to assist the OWP in resolving any complaint.	5
18(a)	Customer Charter The Licensee must set out in writing the principles, terms and conditions upon which it intends to provide the Water Services to its Customers ('the Customer Service Charter').	Medium	PVIC has a Customer Charter that sets out the principles, terms and conditions for the provision of water services. A copy of the charter was obtained during the site visit.	5
18(b)	The Customer Service Charter must be submitted to the ERA for approval by 30 October 1998.	Medium	The date on the front of the charter indicates it has been in place since 1998.	5
18(c)	The Customer Service Charter: (i) should be drafted in "plain English"; and (ii) should address all of the service issues that are reasonably likely to be of concern to its Customers.	Medium	The charter is written in clear and straightforward English and appears to address most of the likely issues. One area of improvement could be to provide more information on the opening and closing of the season and how this is determined. Recommendation: PVIC to update the Customer Charter to include information on how the opening and closing of the season is determined.	4

Licence Ref.	Licence Obligation	Audit Priority (Low, Medium, High)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
18(d)	Different parts of the Customer Service Charter may be expressed to apply to different classes of Customers.	Medium	Although there are two classes of customers (irrigators and domestic users) the charter is still applicable to all customers.	5
18(e)	The Licensee shall review the Customer Service Charter not less than once in every period of 36 months.	Medium	The front page of the charter indicates that it was last revised in August 2006.	5
18(f)	Any proposed amendment to the Customer Service Charter or replacement thereof must also be forwarded to the ERA for approval prior to implementation.	Medium	PVIC demonstrated awareness of this requirement during the site visit.	5
18(g)	The Licensee must make the Customer Service Charter available to its Customers in the following ways: <ul style="list-style-type: none"> (i) by prominently displaying it in those parts of the Licensee's offices to which Customers regularly have access; (ii) by providing a copy, upon request, and at no charge, to a Customer; and (iii) by advising Customers of the availability of the Customer Service Charter on an annual basis. 	Medium	<ul style="list-style-type: none"> (i) A copy was visible at PVIC's office. (ii) Staff advised that a copy would be provided to anyone who requested a copy of the charter. New customers are provided with a copy and biennially a copy is sent to all customers. (iii) A note on the availability of the charter is included in the Annual Newsletter sent to all customers. 	5
18(h)	It is a condition of the Licence that the Licensee provides services in a way that is materially consistent with its Customer Service Charter.	Medium	Discussions with staff and directors on operational matters indicated that the charter is consistent with the service delivery.	5
17(a)	Customer Consultation The Licensee must establish ongoing Customer consultation processes which both inform Customers and proactively solicit Customer opinion on the Licensee's operations and delivery of services. Acceptable approaches to the satisfaction of this	High	PVIC consults formally through the AGM. The Waterman also is a useful means of consultation as he is in constant contact with irrigators when inspecting meters and the river.	5

Licence Ref.	Licence Obligation	Audit Priority (Low, Medium, High)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
	requirement are set out below.			
17(b)	On an annual basis (prior to the start of each irrigation season) and prior to making major changes to the operation of the Irrigation scheme the Licensee will hold a public meeting to obtain Customer views on the performance and operation of the scheme. The agenda for the annual meeting will include but not be limited to: <ul style="list-style-type: none"> (i) season opening and closing conditions; (ii) tariffs; and (iv) scheme operation. 	High	PVIC holds an AGM every year and also calls additional meetings when required. The agenda was sighted - it included Fees and Charges, but does not specifically include the season opening and closing conditions or the scheme operation. Recommendation: PVIC should ensure that the AGM agenda includes these two items.	4
17(c)	The ERA shall be consulted with respect to the type and extent of customer consultation to be adopted by the Licensee.	High	Current consultation is within the requirements outlined in the PVIC's licence.	5
17(d)	In addition, the Licensee may, or at the request of the ERA, shall, establish other forums for consultation, to enable community involvement in issues relevant to the exercise of the Licensee's obligations under this Licence.	High	PVIC is in the process of preparing a survey to gain more information on the nature of their customers	5
17(e)	Customer Survey Not more frequently than every 12 months the ERA may require the Licensee to commission an independent Customer survey which shall address and conform to the conditions and parameters set out in writing by the ERA.	High	The ERA has not required PVIC to complete a survey, although they are in the process of creating one to gain more information on the nature of their customers.	5
14(b)	Incident Reporting Incident reports – the Licensee shall inform the ERA of the occurrence of major incidents having a significant impact on the delivery of water services within 5 days.	High	According to the directors interviewed, no incidents occurred during the review period.	5

Licence Ref.	Licence Obligation	Audit Priority (Low, Medium, High)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
	A major incident is any unplanned event which results in an interruption to services longer than 24 hours. The ERA may require a detailed report on these events to be provided within 14 days of the event.			
14(a)	Annual Performance Reporting The Licensee shall report the information set out in Schedule 2 and 3. The reports are due within 30 days of the end of each financial year.	Medium	The annual performance reports for the last three years were checked.	5
15(a)	Compliance with Reporting Standards The Licensee shall comply with the quality and performance standards set out in Schedule 2.	High	The annual performance reports for the last three years were checked and found to be compliant with the prescribed standards.	5

3.4 INTEGRITY OF PERFORMANCE REPORTING

The information is collated manually and entered into spreadsheets for calculations. Performance reporting requirements are being completed in a timely fashion. The audit recommendations are noted in Section 3.3 above.

3.5 RECOMMENDED CHANGES TO THE LICENCE

No changes to the licence are considered necessary.

3.6 CONCLUSION

The audit review of PVIC for compliance with their licence obligations concluded that there are good controls to ensure compliance with the licence. Most of the issues from the previous audit have been addressed, although these were more a result of changes in licensing requirements than any specific problems. PVIC has a well established process to ensure compliance with the current requirements.

The main areas seen for improvement are the provision of more detail in the Customer Charter regarding complaints, and the inclusion of some extra items in PVIC's agenda for the Annual General Meeting.

4. Asset Management Review

The effectiveness of PVIC's asset management system for the sewerage schemes was assessed using the AMS Effectiveness Matrix provided by the ERA in the Audit Guidelines.

The matrix provides criteria to assess the effectiveness of the following key processes:

- Asset planning;
- Asset creation/acquisition;
- Asset disposal;
- Environmental analysis;
- Risk management;
- Contingency plans;
- Asset management plan;
- Asset management information system;
- Asset register;
- Operational plans;
- Maintenance plans;
- Financial plans;
- Capital expenditure planning; and
- Review.

The review has assessed the above key processes of the asset management system and a compliance rating using the scale in section 2.6 was assigned to process, as shown in Section 4.1.

Section 4.2 provides details of the current status of key recommendations from the previous review.

Section 4.3 provides further details of the systems and the effectiveness rating for each key process in the asset management system.

4.1 SUMMARY OF EFFECTIVENESS RATINGS

The audit assessment of the effectiveness ratings for each key process in PVIC's asset management system is shown in the table 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 Asset Management System							

Section 4.3 provides further details of the systems and the effectiveness rating for each key process in the asset management system.

4.2 PREVIOUS AUDIT RECOMMENDATIONS

The status of the key recommendations in the previous audit report issued in May 2003 is summarised below.

Item No.	Recommendation	Action Taken	Closed
1	<p>Written Procedures.</p> <p>The more important compliance matters which may require immediate or urgent attention in their absence be prepared as written procedures and distributed to all members of the board.</p>	Procedures have been written for the two key roles of the Company Secretary and Waterman.	Yes
2	<p>Risk Analysis & Contingency Planning</p> <p>The risks are recognised as commercial reduction, or loss of supply and contamination of scheme water. Whilst these risks are extremely unlikely, it is nevertheless appropriate that contingency plans be formulated and written for emergencies.</p>	Contingency plans have been developed for the major risks.	Yes
3	<p>Review</p> <p>No formal process has been formulated for review of the asset management plan as it has only been implemented for two years and the Cooperative's uncomplicated and relatively asset free business has not changed. Nevertheless, the Cooperative should conduct a brief formal review of its plan annually - simply to ensure that the need is not overlooked on some future occasion when a review could be critical.</p>	<p>The asset management plan was last updated on the 31st December 2006.</p> <p>Recommendation: The asset management plan should include a formal statement on the frequency and requirements of the review process.</p>	No
4	<p>Clause 6 - Asset Management System</p> <p>PVIC has in place a basic asset management system. Although their asset base is small, there are substantial business risks, Procedures have been written to address some of these risks, but their place in the asset management system is unclear. The Asset Management Plan developed in 1998 needs to be reviewed with appropriate procedures and contingency plans written for the identified risks."</p>	<p>While a great deal of work has been done by the cooperative to address business risks, these need to be identified and referenced in a centralised risk register which should then be reviewed at least annually to ensure that business risks are being adequately managed.</p> <p>Recommendation: A formal risk register should be created and included as an Appendix in the asset management plan.</p>	No

Item No.	Recommendation	Action Taken	Closed
5	<p>Review the Asset Register</p> <p>Undertake a review of the Asset Management Plan — action suggested by June 2004.</p>	<p>This was last completed on 31st December 2006.</p>	Yes
6	<p>Contingency and Incident Planning</p> <p>Complete the development of contingency and incident management plans for the identified risks not already addressed — action suggested by June 2004.</p>	<p>Contingency and incident management plans have been completed, these were sighted.</p>	Yes
7	<p>Update the Asset Register</p> <p>Update the asset register to include age, condition, performance and the date of the last calibration for each meter — action suggested by June 2004.</p>	<p>This has been done, except for the asset age, this may be useful to assist in predicting asset failure for the water meters for budgeting purposes.</p> <p>Recommendation: The asset age (if known) should be included in the asset register.</p>	No
8	<p>Document Service Obligations</p> <p>Document the statutory, regulatory and customer service obligations — action suggested by December 2004.</p>	<p>These requirements are now included in the asset management plan.</p>	Yes

4.2 AUDIT RESULTS AND RECOMMENDATIONS

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
1	ASSET PLANNING		
1.1	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	Planning is simple but adequate for the scheme's needs. PVIC has created an Asset Management Plan that meets their needs.	3
1.2	Service levels are defined.	The Asset Management Plan (AMP) clearly and explicitly defines the levels of service that PVIC must provide.	4
1.3	Non-asset options (eg demand management) are considered.	Demand management is incorporated into the scheme management process. The Waterman negotiates the irrigation schedule with customers to match supply with demand.	2
1.4	Lifecycle costs of owning and operating assets are assessed.	Compared to other irrigation licensees, PVIC operations are very simple. Initial costs were for the meters and the raffles, ongoing costs are mainly for repairs and maintenance to the meters.	2
1.5	Funding options are evaluated.	All purchases are funded through the cash reserves held by PVIC. Given the small cost of replacement assets this would appear adequate.	3
1.6	Costs are justified and cost drivers identified.	The operations appear to be quite efficient with costs kept low. The primary cost driver is the cost and quantity of water from dam that feeds the river during the irrigation season, this is fixed at an agreed rate with the Water Corporation.	3
1.7	Likelihood and consequences of asset failure are predicted.	The AMP includes a list of all meters and (for about 10% of them) when they were installed. The meter's asset life is not recorded to aid in budgeting of replacement units. Consequences are well covered in monitoring and replacement procedures.	2

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
		Recommendation: The Asset Register should be updated to include the age of the assets.	
1.8	Plans are regularly reviewed and updated.	The Asset Management Plan was last revised 31 December 2006, and prior to that 30 June 2004.	3
2	ASSET CREATION/ ACQUISITION		
2.1	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	No new assets are planned beyond the ongoing repairs and maintenance for the meters. As the scheme is reasonably young and demand is below supply and dropping, this would seem reasonable.	2
2.2	Evaluations include all life-cycle costs.	N/A	N/A
2.3	Projects reflect sound engineering and business decisions.	N/A	N/A
2.4	Commissioning tests are documented and completed.	New meters are listed on the asset register when installed and tested.	3
2.5	Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	These are outlined in the AMP.	3
3	ASSET DISPOSAL		
3.1	Under-utilised and under-performing assets are identified as part of a regular systematic review process.	No new assets are planned currently beyond the ongoing repairs and maintenance for the meters. As the scheme is reasonably young and demand is below supply and dropping this would seem reasonable.	3
3.2	The reasons for under-utilisation or poor performance are critically	The Waterman monitors the meters and other assets and takes action as required.	3

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
	examined and corrective action or disposal undertaken.		
3.3	Disposal alternatives are evaluated.	There is little in the way of disposal - broken meters are kept for spares.	3
3.4	There is a replacement strategy for assets.	The plan covers the replacement of meters.	3
4	ENVIRONMENTAL ANALYSIS		
4.1	Opportunities and threats in the system environment are assessed.	The Asset Management Plan includes a section on Asset Environment. This provides an overview of usage trends, population and climate changes and a customer profile.	3
4.2	Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved.	Performance measures are listed in the section on levels of service. These are recorded by the Waterman and Secretary for reporting to the ERA.	3
4.3	Compliance with statutory and regulatory requirements.	The reports provided to the ERA show that PVIC is complying with its ERA reporting requirements.	3
4.4	Achievement of customer service levels.	Customer service levels required to be reported to the ERA are being met.	3
5	ASSET OPERATIONS		
5.1	Operational policies and procedures are documented and linked to service levels required.	Policies and procedures are documented in the AMP and in the separate procedures written for the Secretary and Waterman. Service levels are also documented.	3
5.2	Risk management is applied to prioritise operations tasks.	Risk management is applied to operational tasks but not formally linked to the Risk Management section in the AMP.	2

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
5.3	Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data.	The meter asset register includes the meter#, serial#, date installed, date inspected, inspection results, date tested, irrigator, history. Only 10% included the installed date, all accounting information is kept separately in the FMIS.	3
5.4	Operational costs are measured and monitored.	The Secretary enters the costs incurred into the FMIS and reports on these to the Board.	3
5.5	Staff receive training commensurate with their responsibilities.	The current staff are adequately trained in their roles. Relief staff have also been given hands on training to relieve key staff, should that be required.	2
6	ASSET MAINTENANCE		
6.1	Maintenance policies and procedures are documented and linked to service levels required.	The Asset Management Plan includes a section on maintenance. The Waterman's duties have also been documented and include steps for testing and repair. These would appear to be consistent with service level requirements.	3
6.2	Regular inspections are undertaken of asset performance and condition.	During the irrigation season the Waterman takes meter readings once a fortnight. The ripples and gates in the river are operated manually by the Waterman. Routine maintenance is performed outside the irrigation season.	3
6.3	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	Maintenance plans are documented in the AMP. Maintenance is limited due to the simple nature of the scheme and provided on an as-needs basis, or out of season if not urgent.	3
6.4	Failures are analysed and operational/maintenance plans adjusted where necessary.	Meter maintenance is updated in the Asset Register.	2

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
6.5	Risk management is applied to prioritise maintenance tasks.	Risk management is applied but not formally documented at an operations level. Recommendation: Create a formal risk register.	2
6.6	Maintenance costs are measured and monitored.	Any costs relating to maintenance are recorded in the FMIS and reported to the Board.	2
7	ASSET MANAGEMENT INFORMATION SYSTEM		
7.1	Adequate system documentation for users and IT operators.	There is no dedicated AMIS in use at PVIC. Information is recorded manually and then entered into MYOB or spreadsheets. The basic tasks required of the secretary are documented to allow a replacement person to perform the major tasks with assistance.	3
7.2	Input controls include appropriate verification and validation of data entered into the system.	There are no logical input controls - the system relies on correct data entry and manual checks for reasonableness.	2
7.3	Logical security access controls appear adequate, such as passwords.	Both computers have password protection on boot-up. There is no time-out on the computers. MYOB is password protected. Recommendation: The two office PCs should lock the user out after 20 minutes of inactivity, requiring the user to re-enter their password.	2
7.4	Physical security access controls appear adequate.	The office is located on the property owned by the Secretary. The office is kept locked, All Directors have key access to the office.	1
7.5	Data backup procedures appear adequate.	Data back-ups are currently quite simple. Files are copied from one PC to another. There are two PCs in the PVIC office the key files are copied between the two computers. Occasionally these are copied to a CD but this is kept on the same property, PVIC's accountant also gets a copy from time to time. Recommendation: PVIC should purchase some encrypted USB micro drives for a	2

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
		weekly/monthly backup of the records on the two PCs and held off-site.	
7.6	Key computations related to licensee performance reporting are materially accurate.	The usage recordings are recorded manually and entered into a spreadsheet.	2
7.7	Management reports appear adequate for the licensee to monitor licence obligations.	Reporting is simple but adequate for PVIC's needs.	2
8	RISK MANAGEMENT		
8.1	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	The Asset Management Plan includes a half page risk analysis of the major risks to the organisation. There would appear to be policies and procedures in place for most risks but PVIC really needs a risk register that lists all notable risks and their treatment. Recommendation: PVIC should create a formal risk register that is to be included in the AMP as an Appendix. This should include a formal assessment of risk including the risk owner, likelihood and consequences, a risk rating and description of the controls in place to mitigate the risk. The register should be reviewed and updated at least annually.	3
8.2	Risks are documented in a risk register and treatment plans are actioned and monitored.	There is a risk analysis but this is focused on water quality and availability and not operational issues such as loss of staff or loss of income. While there are documented procedures to protect against staff loss, this has not been formally identified as a risk to the organisation.	2
8.3	The probability and consequences of asset failure are regularly assessed.	The risk analysis needs some more information, there is currently no formal risk rating applied to the risks identified in the AMP.	2

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
9	CONTINGENCY PLANNING		
9.1	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	The Asset Management Plan includes in its risk analysis, water contamination and non-availability. Failure of meters is also covered with steps for the Waterman to replace or repair the meters. There is also a separate Water Contamination Policy, plus PVIC has the Water and Rivers Commission Hazmat Emergency Plan and Oil Spill Plan.	3
10	FINANCIAL PLANNING		
10.1	The financial plan states the financial objectives and strategies and actions to achieve the objectives.	The financial plan in the Asset Management Plan (AMP) is quite simple but outlines sufficiently the general manner in which PVIC's finances are managed.	2
10.2	The financial plan identifies the source of funds for capital expenditure and recurrent costs.	The source of funds is identified in the plan as annual water charges and interest revenue from excess funds.	3
10.3	The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	The financial plan includes Operating Statements (P&L) and cash flow projections until 2011. There are no projected Statements of Financial Position. Recommendation: The financial plan to include projections of statements of financial position as well as the operating statement projections.	3
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	Predictions are in the plan until 2011. No financial predictions are provided beyond this. Recommendation: Possible scenarios should be considered in the financial plan, such as continued downward trends or a stabilisation of demand.	2
10.5	The financial plan provides for the operations and maintenance, administration and capital expenditure	The plan explains how much is kept aside during the irrigation season in their cheque account for operating costs.	2

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
	requirements of the services.		
10.6	Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.	The financial plan does not provide any actual versus budget comparisons. Recommendation: The financial plan should include historical data such as actual/budget for the past three year.	1
11	CAPITAL EXPENDITURE PLANNING		
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	The capital expenditure requirements of PVIC are very small for an irrigator. With the completion of the Riffles and upgrade of the dam, the main capital expenditure requirement will be for new meters to replace old ones when they wear out - this is noted in the financial plan.	3
11.2	The plan provide reasons for capital expenditure and timing of expenditure.	The reasons and timing are provided for the meters which are the main capital expense for PVIC.	3
11.3	The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.	Asset life is not predicted in the AMP. Inspection and testing dates and results are included. It may be useful for PVIC to include the expected life in the AMP along with the installation date. Recommendation: The asset register should include asset life to aid in capital expenditure planning.	1
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	The financial plan stipulates that the budgeted financial statements be reviewed annually.	2
12	REVIEW OF AMS		
12.1	A review process is in place to ensure that the asset management plan and	The AMP was last reviewed 31 December 2006, and was previously reviewed 30 June 2004. The plan does not include any information on a formal review process.	2

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
	the asset management system described therein are kept current.	Recommendations: Details on the review process requirements should be included in the AMP.	
12.2	Independent reviews (eg internal audit) are performed of the asset management system.	PVIC does not have an internal audit function, and independent reviews are performed outside of this review.	3

4.3 CONCLUSION

The review of the asset management system shows that base practices are in place, and the processes are planned and tracked. The main exceptions relate to the areas of the inclusion of the age and expected life of assets in the asset register, data backups from the office PCs, a revision of the risk management to include a formal risk register, some more detail in the financial forecasting and some formalised details on the review process of the Asset Management Plan. But generally, the asset management is appropriate and adequate, given the scale and nature of PVIC's operations.

END OF REPORT